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FINANCIAL TIMES

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End of an era
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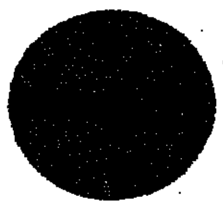

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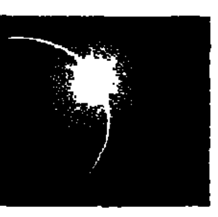

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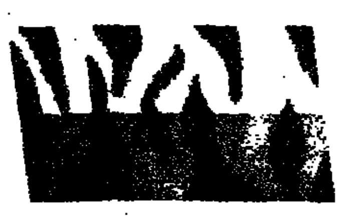


Shock reforms
Poland revived
Book review, Page 10

World Business Newspaper
THURSDAY FEBRUARY 29 1996

Forbes victory leaves Republican nomination open

The surprise Arizona primary victory of millionaire publisher Steve Forbes left the campaign for the US Republican party's presidential nomination wide open again yesterday. The win was a setback for Senator Bob Dole even though he won the less important North and South Dakota primaries. In Arizona, Mr Forbes polled 33 per cent, Mr Dole took 30 per cent and conservative commentator Pat Buchanan finished third with 27 per cent. Page 12; No star is born, Page 3

Russian sell-offs on back burner: Privatisation is to be given a lower priority in Russia, raising the possibility that there may be no sell-off programme this year. Page 12

Princess of Wales agrees to divorce:

The Princess of Wales has agreed to the divorce request of Prince Charles, heir to the British throne. A spokeswoman for the princess said she would continue to be involved in decisions about their two children and would retain her title. Pictured above a month before their official separation in December 1993, the couple have since degenerated into public feuding.

ABB in boardroom switch: European engineering group ABB is reorganising its board to simplify decision-making and strengthen links with shareholders. The group raised 1995 net profits by 73 per cent to $1.315bn. Page 13

Ferry accord reached : Seven north European countries agreed on higher ferry safety standards. Roll-on roll-off ferries in Baltic and North Seas will have to be capable of taking 18 inches of water on their car decks without overturning. Page 3

Giovanni Agnelli stepped down as chairman of Fiat after 30 years, handing over to Cesare Romiti until now the Italian automotive group's chief executive officer. Paolo Cantarella, formerly in charge of the cars division, becomes chief executive. A big wheel, Page 11

Blow to Turkish telecoms plan: Turkey's constitutional court partly annulled a law that allowed the government to sell off Turk Telekom, its big telecoms company. Six international consortia had already bid to act as consultants to the privatisation. Page 2

Hamas claims responsibility: The Islamic militant group Hamas said that Ahmed Abdel Hamideh, the Arab-American shot dead in Jerusalem after he drove into a crowd of Israelis and killed a woman, was a member of its military wing.

Crisis hits Equion: Leading Japanese financial institution Equion filed for liquidation with debts of Y310.6bn ($2.93bn). Its biggest creditors include Hokkaido Takushoku, Dai-Ichi Kangyo and Sumitomo Trust banks, all laden with bad loans. Page 13; Japanese bankers urged to quit, Page 12

Rap for Spanish TV: Spain's electoral board banned state television from broadcasting an interview with Socialist prime minister Felipe González tomorrow, the last campaigning day before Sunday's general election. The board said such a broadcast would breach the principle of neutrality by public media. Raves before rebellion, Page 3

Isle of Man opts in with euro: The Isle of Man, part of the UK but with its own government, is the first European issuer of euro coins. More than 40,000 are being issued from today – even though the UK seems set on opting out of a single European currency. Page 7

Lebanon under curfew: The Lebanese army ordered an indefinite nationwide curfew from 3am today before a strike and demonstrations called by labour unions in defiance of a government ban.

Millennial choice: Britain named Greenwich, the south London district where the world's time zones begin, to host a $1bn exhibition to usher in the next millennium.

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,583.89	(+34.68)
NASDAQ Composite	1,113.67	(+7.50)
Europe and Far East		
CAC40	1,996.89	(+22.37)
DAX	2,472.50	(+27.58)
FT-SE 100	3,738.2	(+22.3)
Nikkei	19,919.97	(-80.43)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	4.992%
Long Bond	94¾
Yield	6.420%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(6⅛%)
UK: 10 yr Gilt	97	(96⅞)
France: 10 yr OAT	104.27	(103.63)
Germany: 10 yr Bund	97.40	(96.95)
Japan: 10 yr JGB	98.078	(97.218)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$17.685	(18.005)

GOLD

New York: Comex		
(Apr)	$402.1	(399.6)
London:		
close	$397.60	(399.25)

DOLLAR

New York: lunchtime		
£	1.53355	
DM	1.46525	
FFr	5.0185	
SFr	1.19355	
Y	104.455	
London:		
£	1.5351	(1.539)
DM	1.4614	(1.4528)
FFr	5.0098	(4.9903)
SFr	1.191	(1.183)
Y	104.39	(104.505)

STERLING

DM	2.2433	(2.2359)
Tokyo $ close:	Y 104.20	

Albania	LEK220	Germany	DM4.00	Lithuania	Lts15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kč60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr19	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM13.50	Kuwait	Fils650	Portugal (m'land)	Es240	Turkey	L70,000
France	FFr11.50	Lebanon	L£3,000			UAE	Dh12.00

Brussels aims for deeper EU ties

Planned shake-up would leave largest states with fewer commissioners

By Emma Tucker in Brussels

The biggest member countries of the European Union each face losing one of their representatives at the Commission in Brussels under proposals put forward yesterday by Mr Jacques Santer, the Commission president.

Staking out a strongly federalist position aimed at deepening economic and political ties between EU countries while allowing entry of up to 12 new members, the Commission also proposes to end the national veto and to strengthen joint foreign and security policies.

The Commission's contribution for discussion at next month's intergovernmental conference in Turin reflects the sentiment of several of the EU's more integrationist member states, led by Germany, but will meet stiff resistance from the UK, which is determined to maintain the national veto.

Other measures, such as inclusion in the Union's founding treaty of specific provisions on employment, are likely to be popular in some quarters but controversial. Mr Santer said the IGC at the end of March was the "first of the big steps on which the future shape of Europe depends".

"It is for this reason that the IGC must succeed. Success means reinforcing political union and preparing for enlargement," he told the European Parliament.

On foreign policy, the Commission echoes an idea put forward by France and Germany this week that a limited number of member states be allowed to engage in military action. It specifies that other member states should not oppose the action, even if they do not participate.

It proposes establishment of a "joint analysis unit" made up of experts from member states and the Commission to create and co-ordinate a firmer basis for the EU's ineffective common foreign and security policy.

The paper foresees a higher profile for the Commission with the suggestion that the president play an "important" role in the choice of Commission members. It proposes reducing the number of Commission members to one per country to ensure speedy and efficient decision-making in a Union of up to 27 countries.

But under pressure from smaller countries, including Ireland, it shies away from giving some countries no representation at all. Currently Germany, France, Britain, Spain and Italy have two commissioners while the smaller members have just one.

The document also backs an end to the national veto for fear that its use could make some decisions impossible.

It says that in sensitive areas such as taxation, where decisions are taken by unanimity, a new form of "superqualified" majority voting could apply, under which more than 71 per cent of the votes of member states would be required for adoption of a decision.

On employment, the document says new provisions should be written into the treaty although it is vague about their content.

Venture will have sales of $20bn

BP and Mobil link European fuels businesses

By Peggy Hollinger in London

British Petroleum and Mobil are to combine their European fuels and lubricants operations to create one of the region's leading refining, service station and motor oils businesses with sales of more than $20bn a year.

It is estimated that the two companies could share savings of up to $500m within five years as a result of combining the businesses, at a one-off cost of about $400m between them.

The move is expected to put pressure on other oil majors to sort out their downstream operations. The spotlight is expected to move to Shell, which is widely seen to have been slow to deal with its refining assets.

The decision to merge the two companies' downstream operations in Europe has been prompted by the need to cut costs in a market where margins are under severe pressure.

In recent years, oil majors have suffered from overcapacity in the refining sector and most recently the emergence of a price war on the petrol pump forecourt in the UK which threatens to spread to the rest of Europe.

BP recently announced that its refining operations had incurred a loss in the fourth quarter although the overall downstream division showed operating profits of £406m ($625m) for the year, down from £646m. Mobil improved downstream earnings by 18 per cent to $1.1bn.

The deal has been under discussion by Mobil, BP, and their respective advisers, J. P. Morgan and Goldman Sachs, for several months. Neither BP nor Mobil would comment on the plans yesterday, although it is understood that they were planning an official announcement today.

If the deal passes the necessary regulatory scrutiny within the European Union, the two companies plan to combine assets of some $5bn. The deal would create a venture to rival Europe's market leader, Shell. The new venture would claim some 18 per cent of the European lubricants market and 12 per cent of the refining, marketing and distribution sector.

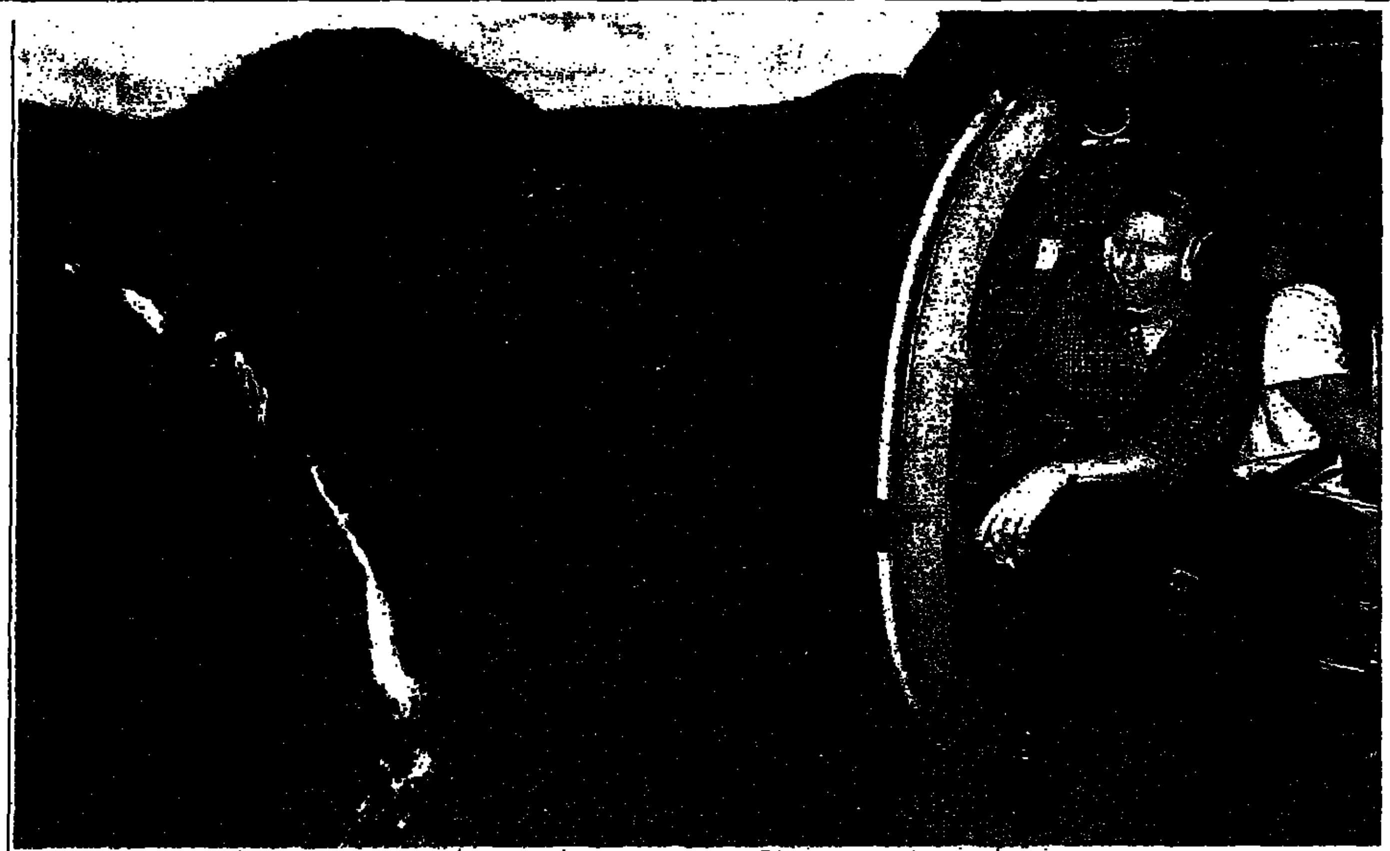
BP is expected to contribute some $3.4bn, and Mobil some $1.6bn in assets. However, the control of the venture will be divided according to each company's relative strengths.

BP, which is stronger in refining, marketing and distribution, will have about 70 per cent and complete operational control of this part of the joint venture. It will comprise some 9,000 petrol stations, which will be rebranded to carry the BP name.

Mobil, which is the stronger of the two in engine oils, will control the combined lubricants business, with a 51 per cent stake. Automotive oils are expected to carry the Mobil brand.

While some 2,000-3,000 job losses are expected throughout Europe as a result of the deal, few are likely in the petrol station division.

Editorial Comment, Page 11; Lex, Page 12; BP and Mobil aim to get in front, Page 13



Australian prime minister Paul Keating taking a helicopter trip over Elizabeth Grant Falls while campaigning for Saturday's federal election. The helicopter's blades clipped a tree during an aborted landing but eventually landed safely. Labor hits at election 'hole', Page 5 Picture: AP

Major sets date for Ulster peace talks

By Robert Peston, Political Editor

Mr John Major, the UK prime minister, yesterday staked the survival of his government on a plan to renew the impetus of the Ulster peace process by setting a firm date for all-party peace talks which could include Sinn Féin, the political wing of the Irish Republican Army.

To the fury of unionist sympathisers among his backbenchers, Mr Major and his Irish counterpart, Mr John Bruton, announced that all-party negotiations on a Northern Ireland political settlement would begin on June 10. However, the Labour opposition, the Liberal Democrats and Northern Ireland's Social Democratic and Labour party all praised Mr Major's stand. Mr Seamus Mallon, deputy leader of the moderate nationalist SDLP, said it was a pleasure to thank Mr Major for his "tenacity".

The condition for Sinn Féin's participation is that the IRA should renew its ceasefire. However, an Anglo-Irish communiqué said only after the talks have begun would the political wing of the IRA be required to make a "total and absolute commitment to the principles of democracy and non-violence". These are the principles laid down in January by US Senator George Mitchell's report into how Northern paramilitary groups should give up their arms.

In the wake of the IRA's two

Continued on Page 12
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US suspends export finance to China over nuclear fears

By Nancy Dunne in Washington

The Clinton administration has suspended consideration of $10bn in export financing applications for China while it considers evidence that Beijing is providing nuclear technology to Pakistan.

The US Export-Import Bank said yesterday it had agreed to a request from the State Department to delay new commitments during March. Among the applications awaiting approval is a request for financing from Caterpillar for sales to the huge Three Gorges Dam project.

The delay will give China time to dispute findings by the Central Intelligence Agency that specialised ring magnets were sold to Pakistan to be used in uranium enrichment plants. These provide a vital function in the production of nuclear weapons.

It will also give the US time to reconsider its policy of "commercial engagement" which was supposed – but failed – to improve China's human rights practices.

Instead the relationship has worsened, and a confrontation over Taiwan has been overshadowing trade initiatives. Taiwan, which China regards as a renegade province, is to conduct its first direct elections for president on March 23.

The 30-day suspension of export financing, which runs just beyond that date, could also be seen as an implicit warning to Beijing not to step up military manoeuvres near the island.

US trade relations with China are under pressure on a number of fronts. Failure by China to comply with the US 1994 Nonproliferation Act, designed to deter the spread of nuclear weapons, could lead to a total suspension of trade credits from the US Export-Import Bank.

President Bill Clinton could waive the suspension because of the harm it would do to US companies. But this would bring him under political fire from Republican presidential hopefuls and the Republican-controlled Congress.

Meanwhile, Eximbank is under pressure from environmentalists and human rights activists to refuse financing for the Three Gorges project, which will displace 1m people.

A decision on funds for the dam, first expected at the end of December, had been delayed until today and will now be put off again.

Mr Bill Lane, a spokesman for Caterpillar, which has an estimated $200m in sales at stake, said he was disappointed by the delay but hopeful that "after 30 days policymakers will re-examine the wisdom of ceding the Chinese market to our foreign competitors".

Previous Eximbank commitments will be honoured. About $4bn worth of credits are awaiting dispersal.

Mr Mickey Kantor, the US trade representative, yesterday refused to comment on the suspension. However, he said the US "will not tolerate" China's failure to honour agreements on intellectual property rights and market access.

He said the $35bn US trade deficit with China was directly attributable to China's market barriers.

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO

Turkish leaders agree to form coalition

By John Barham in Ankara

Turkey's rival conservative leaders yesterday reached agreement "in principle" to forming a coalition government, ending a nine-week stalemate since the December 24 general election.

After talks lasting two and a half hours, Mrs Tansu Çiller, the caretaker prime minister and head of the True Path party, said the party leaders had "decided in principle to form the coalition. We will meet again on Friday to discuss [its] structure. In principle, we have agreed on [a] rotating premiership."

Mr Mesut Yilmaz, leader of the opposition conservative Motherland party, said: "I agree with Mrs Çiller." Both said they would make no further comment until tomorrow's meeting. Meanwhile, four senior officials from each party will meet to draft watertight agreements on policy and on the share-out of government posts.

But neither leader indicated they had settled two issues dividing them. Both insist on holding the rotating premiership first and both insist their party control the main economic ministries.

Previous talks between the two have foundered on these two questions, but Mr Hasan Cemal, an influential columnist on the pro-Çiller newspaper Sabah, said the leaders had "started a serious bargaining process now. It may take several days."

Fruitless coalition talks have dragged on since a general election in December gave no party a clear mandate.

The media and the powerful business community have been pressing Mrs Çiller and Mr Yilmaz to bury their personal rivalry and form a centre-right government.

Mr Cemal said Mrs Çiller had agreed to let Mr Yilmaz lead the government for a year before she takes over for two years.

She would then return power to Mr Yilmaz for a year. A neutral politician would head the government for the final year before elections.

Motherland MPs claim they have won an undertaking to control the main economic ministries, but True Path supporters say Mrs Çiller will fight to keep the economic ministries.

To run Turkey's inflation-battered economy may seem a poisoned chalice but control of economic portfolios confers great powers of patronage.

Commentators say Mr Yilmaz, whose party has 125 MPs, 10 fewer than Mrs Çiller, is using the threat of reopening coalition talks with the Islamist Refah party to draw Mrs Çiller into talks.

His talks with Refah, the largest party in parliament, failed at the weekend, opening the way for a True Path-Motherland coalition.

The planned centre-right alliance looks unstable. The parties combined are 16 seats short of a majority in the 550-member parliament. To govern, the coalition would need support from two social democratic parties which would, in return, seek a softening of the conservatives' free-market policies.

But both conservative leaders are aware that failure to work together to deal with Turkey's pressing economic and social problems or the 11-year Kurdish insurgency in the southeast may only strengthen Refah's growing appeal.

Court throws sell-off plans into disarray

By John Barham in Ankara

The Turkish constitutional court threw Turkey's slow-moving privatisation programme into disarray yesterday with a ruling that effectively halts sales of minority stakes in the telephone network.

Details of the court's ruling were not available, but the official Anatolia news agency said the court had "cancelled" part of a law enabling the government's Privatisation Administration (OIB) to sell up to 49 per cent of Türk Telekom to institutional investors and employees.

The OIB said new legislation might be needed to resume the sale.

The court struck down three articles in a law parliament passed last year granting special power to the OIB, the executive privatisation agency, and the High Board of Privatisation, a ministerial supervisory body, to handle the sale.

The government has already received final bids from six consortia of international investment banks to handle the Türk Telekom sale. It had been expected to choose an adviser in March.

Among the 23 investment banks bidding for the mandate are J P Morgan, Paribas, Goldman Sachs and Yamaichi. The World Bank is co-ordinating the privatisation, planned to go ahead this year and raise about $3bn.

Investment bankers involved in the operation said the court's judgment could set the country's biggest privatisation back until the middle of 1997.

Parliament, which must enact new legislation, has barely begun to function again, and Turkey's conservative parties have only now reached agreement on forming a coalition government.

The privatisation programme has languished for more than 10 years because of political interference. Last year, the government only sold $500m worth of state assets, a figure amounting to one-tenth of its original target.

Most of the companies sold were small or peripheral businesses.

The sale of the strategic telecoms, power stations, manufacturing companies and banks has been blocked by appeals to the constitutional court by the left-wing People's Republican party (CHP), the outgoing government's junior coalition partner.

Yesterday's ruling was sought by a group of 90 MPs led by Mr Mümtaz Soysal, formerly a CHP minister and a hardline opponent of privatisation. In 1993, Mrs Tansu Çiller, the outgoing prime minister, attempted to privatise the company by decree but was prevented after CHP MPs had instituted an appeal to the courts.

A year later, the courts blocked privatisation again because it judged legislation had given the government excessive authority.

Last May, parliament passed a new law authorising the government to sell up to 49 per cent, only to be blocked again by yesterday's ruling.

Dini puts imprint on new party

By Robert Graham in Rome

Mr Lamberto Dini, Italy's caretaker prime minister, yesterday unveiled his new centre party christened Dini Italian Renewal.

The former director general of the Bank of Italy, who has been premier since January 1994, had been expected to call his party Renaissance after his native city Florence. But instead he chose to combine his name with the idea of renewing Italy, the first time a politician has put his imprint so directly on a party's name.

Mr Dini's entry into politics, announced last weekend, has added a new element to the campaign for general elections on April 21. Although he has been careful not to say so, every other politician sees him as a direct challenger to Mr Romano Prodi as the prime ministerial candidate of the centre-left.

It is widely suspected that Mr Dini has already made a deal with Mr Massimo D'Alema, leader of the Party of the Democratic Left (PDS) and the dominant figure in the centre-left alliance, to push Mr Prodi aside.

Mr Dini himself has already indicated he will link with the centre-left to contest those parts of the seats (75 per cent) governed by the first-past-the-post voting system. However, his grouping will stand alone in the proportional representation seats covering 25 per cent in the lower and upper houses. Current polls give Mr Dini's centrist party around 8 per cent of the national vote.

Deals for fighting specific seats are still being worked out among the parties and do not have to be concluded before mid-March. But if Mr Dini does link with the centre-left, this will give the alliance an edge over its rightwing rival, headed by Mr Silvio Berlusconi, the former prime minister. It would also allow the centre-left to avoid making a deal with the populist Northern League of Mr Umberto Bossi.

Yesterday Mr Dini said it was his duty to bring a moderating influence to politics.

Railway workers from Nizhniy Novgorod, east of Moscow, picket Moscow's White House over no pay for five months Reuter

Russia and Britain still far apart over Nato enlargement

Primakov assures Rifkind over 'bullying' of ex-Soviet states

By Bruce Clark, Diplomatic Correspondent

Russia has promised Britain that any rapprochement between itself and the smaller former Soviet republics will be a voluntary arrangement and not the result of Moscow's bullying, according to UK officials.

But the two countries remain far apart over Nato enlargement, which dominated a vigorous three-hour discussion on Tuesday night between Mr Yevgeny Primakov, Russia's foreign minister and Mr Malcolm Rifkind, his UK counterpart.

The meeting took place in Strasbourg, where Mr Primakov took part yesterday in ceremonies marking Russia's admission to the Council of Europe.

Mr Primakov's assurance on "bullying" coincided with a pledge by President Boris Yeltsin to pursue deeper integration and possibly outright unification with Belarus, one of the most pro-Russian of the former Soviet states.

British officials said they welcomed Mr Primakov's statement, although one noted that "the proof of the pudding" would be Russia's future behaviour in the Commonwealth of Independent States.

On Nato, Mr Primakov had expressed Russia's "firm opposition" to any expansion eastwards by the alliance and blamed the proposal on a "wave of anti-Russian feeling" in central Europe.

His predecessor, Mr Andrei Kozyrev, had hinted last year that Nato enlargement might be acceptable to Moscow under certain circumstances – such as a pledge not to station foreign troops or nuclear weapons on new members' soil.

But Mr Primakov's latest comments confirmed the impression that the Russian position over Nato has hardened over the past six months, according to UK officials.

Mr Rifkind, who has made plain his personal commitment both to Nato expansion and the sovereignty of the former Soviet republics, insisted the enlargement plan was not directed against Moscow and did not threaten Russia.

He reaffirmed Nato's desire for a strategic relationship with Russia, and Britain's strong support for the development of Moscow's relations with the European Union.

Western interest in Russia's attitudes towards its neighbours is rising against a background of intensive diplomatic activity in Armenia and Azerbaijan aimed at resolving the status of Nagorno-Karabakh.

Senior officials from Russia, the US and Switzerland – which currently holds the rotating presidency of the Organisation for Security and Co-operation in Europe – have visited the region for talks on the enclave.

In their latest comments, Russia appears to have edged away from its hitherto pro-Armenian position, while Azeri officials have complained that the US is demanding too many concessions from their side.

Action unlikely over EU ex-envoy

By Caroline Southey in Brussels

The European Union Commission yesterday backed away from taking disciplinary action against the EU's former ambassador to Moscow for allegedly abusing his post to further his own business interests, although inquiries into his activities will continue.

The Commission decision follows weeks of investigation into allegations that Mr Michael Emerson, the former EU ambassador to Moscow, used his position to prepare to set up a consultancy with a St Petersburg businessmen. Commission diplomats are barred from pursuing outside financial interests while working for the Brussels executive. Mr Emerson has denied any wrongdoing.

While the Commission felt it was "wholly regrettable" that strict professional ethics were not respected, this was "not enough reason to start legal proceedings", a Commission official said. He added that the inquiry into Mr Emerson's activities would continue and warned that the possibility of starting disciplinary proceedings remained a possibility.

"If any new elements were to arise which justified the initiation of disciplinary procedures the Commission will not hesitate to use them," he said.

The official said the Commission felt that while the contacts made by Mr Emerson "with the view to future activities were not in conformity with the strict ethics beholding to Commission officials", there was "no reason to believe that any commercial or financial transactions have taken place".

The Commission also approved Mr Emerson's request for early retirement which he asked for following the announcement that the Commission was opening an inquiry into his activities. He would be entitled to a generous pension after 23 years' service.

Revolutionary times for French insurers

Andrew Jack examines the 'privatisation of the general agents'

In towns and villages across France, "general agents" selling the policies of the country's largest insurers – including Axa, UAP and GAN – are an essential part of the high street.

The agents are a particularly French idea, unknown elsewhere. Established as a liberal profession during the last century, they are self-employed but operate under an exclusive contract with a single insurance company in a geographical area, selling policies in exchange for a commission.

But within the next few months, the way in which insurance policies are sold is likely to be transformed.

Under the terms of a draft new agreement initialled last week between Fnsaga, the agents' professional body, and the FFSA, the insurance companies' association, their status is set to be completely overhauled by this summer.

For the first time, they will be allowed to incorporate, protecting their personal assets in the event of bankruptcy and allowing them to seek outside capital for their businesses. They will also be required to meet new training requirements.

But more radically, there will be much greater flexibility for insurers and their agents to negotiate contracts. In France, where much is dictated by rigid laws, this is seen as a significant change.

"This is really a privatisation of the general agents," says Mr Denis Kessler, head of the FFSA. "We are completely re-engineering the pyramid, inverting a structure which had a large legalistic base, a small number of conventions and almost no individual contracts."

In 1994, there were some 17,440 agents in the country, generating annual sales of FFr13.7bn (£1.75bn) They account for 42 per cent of the sale of non-life policies and 15 per cent of life policies.

Yet while the insurance sector has undergone widespread change in the past few decades, contracts regulating relations between general agents and companies remain determined by two laws: one passed in 1949 dealing with non-life insurance, and a second a year later for life assurance.

In private, the insurance companies have long argued that their relations with general agents needed to be reformed as market conditions have changed, new forms of distribution emerged and competition intensified. But all efforts to modify the legislation have failed. The most recent attempt in 1990 collapsed amid acrimony.

Negotiations resumed last year, and appear to have succeeded. Details of the new terms will be subject to government approval, and votes from members of both the insurance association and the general agents' body in April. But the signs look promising.

One reason cited for the change in attitude is that events are beginning to overtake the agents. They face growing competition from rival sales networks, including direct telephone marketing and the growth in "bancassurance" – banks and other financial institutions with large branch operations.

This was reflected in pressures for change – in spite of legal restrictions – from the insurance companies, as well as concerns from the European Commission in Brussels that the existing organisation was uncompetitive.

There are also likely to be financial incentives. The new arrangement would give more efficient agents the potential to earn higher returns on the policies sold. They will also receive a modest increase in contributions from the insurance companies to top-up their pension schemes.

Equally, the insurers cannot afford simply to dispense with this traditional form of sales techniques. Despite their relatively high cost structure, general agents provide an high proportion of policy sales, and one which is often very profitable because the agents can act effectively to screen risks of potential clients.

"The new accord is a balanced one in which everyone wins and loses equally," says Mr Dominique Denis, deputy head of Fnsaga, the agents syndicate. "We are moving from a legal environment to one defined by the market and focused around the needs of clients."

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EUROPEAN NEWS DIGEST

Enel reprimand over competition

Italy's monopolies commission yesterday accused Enel, the state electricity company, of stifling competition and failing to keep prices down.

The commission, headed by Mr Giuliano Amato, the former prime minister, said Enel had not respected its original 1962 mandate to provide energy supplies at minimum costs to ensure economic growth. "It could and should have helped open the way for competition."

The commission added that Enel had pursued protectionist policies with its key Italian suppliers, which had effectively locked out foreign contractors. "The lack of adequate stimulation... has pushed Enel suppliers to behave more like associations rather than competitors," the commission said. It added that, between 1991 and 1994, imports of foreign supplies for Enel plants accounted for at most 1.1 per cent of the total amount of equipment bought by the group.

The government had hoped to launch the privatisation of Enel in the first half of this year, but analysts say the early general election called for April 21 means this timetable will almost certainly be missed. *Reuter, Rome*

Prague eases exchange controls

The Czech National Bank yesterday introduced a more flexible exchange rate policy in an attempt to stem inflows of speculative capital and give it more scope to fight inflation.

The bank widened the fluctuation band for the Czech koruna from plus/minus 0.5 per cent to plus/minus 7.5 per cent against a hard currency basket weighted 65 per cent to the D-Mark and 35 per cent to the US dollar.

The measure, which had been expected, brings a greater element of risk to exchange rate movements, which the bank hopes will reduce speculative inflows and ease money supply growth.

An estimated $3bn of "hot money" has flowed in since 1993 to exploit high Czech interest rates, made even more attractive by a rigid exchange rate policy which meant that speculators faced no risk in taking money out again. The strong inflow has kept M2 money supply growth high, undermining the fight to reduce inflation. M2 grew by about 18 per cent in 1995, while inflation hovered near 9 per cent. Analysts said the slight devaluation of the koruna that followed yesterday's announcement would be reversed quickly and a long-term devaluation would follow as inflation and interest rate differentials were eroded. *Vincent Boland, Prague*

Currencies, Page 23

SAS accuses Paris over fares

The European Union has asked for a response from the French government following charges by SAS, the Scandinavian airline, that Air France was using state aid in a fare war in breach of rescue conditions. EU officials said the Commission had asked Paris for an explanation, adding that an undertaking not to use rescue funds approved in 1994 to mount a price war was part of the conditions accepted by the French state airline.

The Boersen newspaper in Copenhagen reported that SAS had complained to the Commission that Air France had slashed prices of fares between France and Scandinavia. SAS would try to block payment of a third stage of state aid to Air France, the report said. The Commission, in a decision which has been strongly contested by some European airlines, has approved payment of aid totalling FFr20bn ($4bn) to rescue Air France. *AFP, Brussels*

French rail losses double

France's SNCF national rail system yesterday reported that its overall loss doubled last year to FFr16.6bn ($3.3bn), from FFr8.2bn in 1994, on turnover that fell 3.9 per cent to FFr52bn and a 20 per cent decline in gross operating margins. Passenger revenue fell by 2.7 per cent, as rail travel was first discouraged by last summer's terrorist incidents – including an unexploded bomb on a high-speed TGV line – and then made impossible by a four-week strike in late November and December. Revenue from freight fell 6.1 per cent.

The government still believes SNCF's two key problems are poor productivity and the crushing burden of its FFr175bn debt, even though the strike forced it to abandon attempts to link the two by proposing productivity increases to match a five-year FFr100bn debt reduction plan.

Under this plan the government would have taken over FFr37bn debt this year and then would have reduced one franc of debt for every franc in operating profit that SNCF could show. Transport ministers are now suggesting an even bigger debt reduction plan, with future TGV lines partly funded by private finance. But they are leaving it very much to the new SNCF president, Mr Loïk Le Floch-Prigent, to come up with productivity measures once he has restored relations with the unions. *David Buchan, Paris*

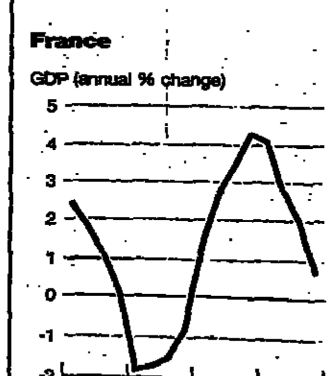
Approval for Crimea premier

The Crimean parliament yesterday approved Mr Arkady Demidenko as prime minister of Ukraine's autonomous peninsula. Hand picked by Ukrainian President Leonid Kuchma, Mr Demidenko takes over almost a year after Kiev sacked Crimea's separatist president and annulled its constitution. He must work with forces in parliament that back the peninsula's reunion with Moscow.

Moscow's government never opposed Kiev's crackdown in Crimea, a vacation haven which was only transferred from Russia to Ukraine in 1954. But Russian MPs – including Mr Gennady Zyuganov, the leading presidential candidate from the Communist party, who visited Kiev this week – have stressed that relations between the two neighbours cannot be normalised until the Black Sea Fleet is divided and the status of its large headquarters in Sevastopol, a Crimean port city, is settled. *Matthew Kaminski, Kiev*

ECONOMIC WATCH

Paris confirms slide in GDP



The slide in the French economy last autumn was confirmed yesterday by Insee, the national statistics agency, which reported that GDP fell 0.3 per cent in the final quarter against the previous three months, which in turn had seen a 0.2 per cent decline. The fourth quarter saw industrial output falling 0.9 per cent but industrial investment rising 4 per cent. For the year, the French economy expanded 2.4 per cent, compared with the 2.9 per cent growth recorded in 1994 and once hoped for in 1995. The late autumn decline would have the effect of shaving 0.1 per cent off the GDP figure for this year's first quarter, Insee said. But there have been enough signs of rebound in January for several analysts to believe that they constitute more than just a correction for December's strikes paralysing the public sector. The signs include a 5.1 per cent rise in household consumption last year, a preliminary Bank of France claim of a probable rise in industrial output and an Insee forecast of a 4-5 per cent volume increase in industrial investment. The government's deficit-reduction plans depend on an economic rebound gathering pace in at least the second half of 1996. *David Buchan, Paris*

■ German engineering orders declined 4 per cent in January over the same month a year earlier, the German Engineering Association said. Domestic orders were down 7 per cent and foreign orders fell 1 per cent.

■ Dutch GDP rose 2.4 per cent in 1995 from a year earlier.

NEWS: EUROPE

Agreement based on compromise proposal made by Denmark after Baltic Sea sinking

Seven-country accord on ferry safety

By Charles Batchelor in London

Seven north European countries yesterday reached agreement on higher ferry safety standards after the International Maritime Organisation, a United Nations agency, failed to agree stricter rules last November.

A regional accord applying to roll-on roll-off ferries operating in the Baltic and North Seas will require ships to tolerate 50cm (18 inches) of water on their car decks without rolling over.

The agreement, based on a compromise proposal by Denmark, came nearly 18 months after the sinking of the Estonia in the Baltic with the loss of 900 lives. The loss followed earlier ferry disasters including the sinking of the Herald of Free Enterprise off Zeebrugge in 1987 with loss of 193 lives.

The Estonia sank within minutes after heavy seas ripped off the vessel's outer bow door, allowing water to pour on to its open car deck. "Ro-ro" ferries, with their large open car decks, are vulnerable to capsize if water penetrates the bow doors.

The loss of the Estonia prompted the international shipping community to tighten standards on the ferries but opposition from several Mediterranean countries foiled attempts to reach an agreement within IMO. These countries argued calmer Mediterranean conditions did not require such stringent safety standards.

Despite the failure of the IMO, a UN agency, to reach agreement, the regional accord represents a significant development because it covers many of the main nations using "ro-ro" ferries. The seven countries signed up to the agreement after a two-day meeting in Stockholm are the UK, Denmark, Finland, Germany, Ireland, Norway and Sweden.

A regional accord is regarded as less satisfactory than an international agreement but it is preferable to individual countries setting their own standards, shipping industry managers said.

The new standards, which will require shipowners to install internal bulkheads or partitions, or add extra buoyancy devices, will be applied over the next six years but must be complete by 2002.

The agreement will impose extra costs on ferry operators although they will have several years to modify their vessels. Up to a quarter of the 40 UK-owned "ro-ro" ferries which serve British ports might have to be taken out of service because it would be uneconomic to modify older vessels.

Several countries, including the UK and Sweden, had threatened to impose higher standards unilaterally if a regional or international agreement was not reached.

The UK ordered installation of indicator lights to show ferry doors were closed and television systems to monitor car decks, following the sinking of the Herald of Free Enterprise.

The sinking of the Herald of Free Enterprise in 1987 prompted the UK government to order additional safety features Press Association

Young Spaniards put raves before rebellion

The political priorities which led González to resist the Franco regime are scarcely relevant today, writes **Tom Burns**

SPANISH ELECTIONS March 3

Felipe González was talking about his past at a youth rally in Fuenlabrada, a large dormitory town east of Madrid that barely existed in the 1960s when Spain's future prime minister joined the underground opposition to General Franco's regime. Few among the 3,000 who had gathered in a sports complex were alive in 1974, a year before Franco died, when Mr González became leader of the then clandestine Socialist party at the age of 32.

He was telling the youngsters how, since 1982, his governments had brought political freedom and tolerance to Spain. At their age, he said, he used to cross the Pyrenees into France on foot avoiding border posts because Franco's police had confiscated his passport.

"I used to gulp the air of freedom when I got to France and felt claustrophobic when I returned to Spain," recalled Mr González. The audience, mostly members of the Socialist party's youth wing, cheered the premier, but in a polite rather than heartfelt way.

When he told them he would be 54 on Sunday, the day of the general election, the youngsters looked embarrassed, giggled and forgot to sing happy birthday. The political priorities that shaped Mr González's youth are scarcely relevant to a generation that has ravers in place of rebels and follows fads instead of causes.

"To be honest we're not very political," said Mr Pedro Leal, a member of the Young Socialists who studies law in Toledo. "I had a job getting people to come here to listen to Felipe."

If, as expected, Mr José María Aznar's Popular party comes out on top in Sunday's poll, it will to a great extent be because of González's "children" – the 18-30 year olds.

The biggest electoral swing towards the centre-right opposition has taken place among the 12m-plus Spaniards – nearly 40 per cent of the electorate – who have only known Socialist governments headed by Mr González since they reached voting age.

"Youth tends to reject the status quo and now that means González," said Mr Emilio Lamo de Espinosa, a Madrid University sociologist who has monitored the voting trends of the under-30s. "González talks about democracy as a conquest, but youth takes it for granted. Aznar represents a change and he is the runaway favourite among the kids who intend to vote."

Mr Aznar, 43, says his age group is a "democracy generation" no longer traumatised by the Franco years.

"My parents like to talk about how they went on anti-Franco demonstrations when they were students. We just talk about our exams," said Ms Carmen Tena, a business administration student in Madrid. "Just about all my class is going to vote for Aznar."

"We are all democrats now and what we worry about are real jobs, not junk jobs, and affordable housing. González has delivered neither," said Mr Alejandro Agag, a member of the Popular party's youth wing. "And we remain idealistic; corruption under González sickens us."

Mr Aznar should, however, learn from Mr González's experience – that youth is demanding and its allegiances can be mercurial.

Mr Agag warned that the under-30s vote was the one Mr Aznar stood to lose first. "We are his most critical supporters; we want a Popular party government to come up with solutions fast. We are very intolerant about that, just as we are about sleaze."

Moldova sugar sell-off leaves a bitter taste

When Cupcini Crystal went private two years ago, Moldova's leading sugar factory thought prosperity was just around the corner. But its disillusioned director claims today that a botched privatisation makes business impossible because politicians have been forced by a strong lobby to keep the Soviet-era farming monopoly in place.

The predicament in Moldova, a Romanian-speaking nation situated between Ukraine and Romania, illustrates the pitfalls of ownership transfer even in former Soviet countries with reform minded governments.

Mr Constantin Girlovanu, Cupcini's director, said the trouble began in 1993 when parliament decided that majority stakes in about 200 enterprises in the agricultural sector would be given free to workers and directors of the state-owned farms that supplied them with raw materials.

Moldova's nine sugar factories were sold this way. At Cupcini, the three large sugar beet collective farms and 20 smaller farmers were given an automatic 55 per cent stake. The company's 900 workers took 5.5 per cent and Moldovan investment funds, using vouchers from ordinary citizens, control the rest.

"It was important to find common interests between suppliers and producers, to make strong connections," said Mr Ceslav Ciobanu, the privatisation minister. "During the socialist era, agriculture was discriminated against and parliament adopted this law to compensate."

Three months ago Moldova completed its mass privatisation effort, putting about 70 per cent of state-owned enterprises in private hands.

But the sugar factories are crying foul. Output at Cupcini fell 48 per cent after privatisation and the company gained no fresh capital through the sale. Trade has to be done by barter, as Cupcini lacks liquidity and cannot afford to pay the high interest rates charged on bank borrowings. The company cannot freely choose its suppliers.

"On paper we have a profit and in the bank we have no money," said Mr Girlovanu, whose northern Moldovan plant also makes vodka and balsam from sugar beet.

"Producers and suppliers should not be locked together," he added. "It's impossible to work. Now the farm directors think they can dictate what I should produce."

Other private sector companies, faced with intransigent shareholders, have tried to buy stakes back from them.

Cupcini would buy its shares if it could. But structural change in Moldova lags behind privatisation and macroeconomic reform – both hailed by the World Bank and International Monetary Fund as among the most progressive in the former Soviet Union.

The farmers who, in theory, own the biggest stakes cannot claim them until their collectives are broken up. That process has just started, but a western economist fears parliament, which has blocked the free sale of land until the year 2001, wants to make leaving the collective and claiming a land plot more difficult.

In this they are backed by the collective farm bosses, who are afraid to see their powers diluted.

The new stock exchange, which opened last June, could be a good source for capital starved enterprises. But even after the majority owners eventually claim their shares, Mr Victor Chiriac, exchange president, warns that a second flotation "could not be done quickly" by the undeveloped financial system.

The government's vows to pass the necessary laws and woo investors to smooth the post-privatisation process are not lost on Mr Girlovanu. But he worries that his company has already lost a decade in its drive to compete.

Matthew Kaminski

Four foreign companies set to win contracts

Vietnam phone deals near

By Jeremy Grant in Hanoi

Four foreign telecommunications companies are poised to win contracts to install telephone lines in Hanoi and Ho Chi Minh City by the end of March, ending months of speculation over foreign involvement in building a big part of the country's telecommunications infrastructure.

The four, NTT International of Japan, Britain's Cable & Wireless, France Télécom and Telstra of Australia, signed preliminary agreements with state-run Vietnam Posts and Telecommunications (VNPT) for the projects over a year ago. They were promised firm contracts later when Vietnamese policy on revenue-sharing arrangements could be worked out. However all have been kept waiting by reshuffles in VNPT and the government's regulatory body. Industry experts say there has also been foot-dragging by policy-makers unsure how much foreign involvement to allow in a sector regarded as important to national security.

"We have been informed by the Vietnamese that it [the award of contracts] could be the end of March," said an official at one of the four companies. Approval would still be needed from the ministry of planning and investment before the projects could go ahead. Experts say this could be delayed until after a communist party congress tentatively scheduled for June.

Vietnam is understood to have chosen NTT and Cable & Wireless to install landlines in Hanoi, the capital, while France Télécom and Telstra will divide up Ho Chi Minh City equally between them. One Telstra official said the company planned to install 400,000 lines by the year 2000, involving an investment of $300m. France Télécom is expected to make a similar investment for the same number of lines. In Hanoi, NTT plans to install 250,000 lines in the same time, according to Mr Suzuo Uchiyama, its chief representative in Vietnam.

Hanoi does not allow joint ventures or build-operate-transfer arrangements in the operations side of telecommunications, preferring a looser business co-operation contract. This allows revenue sharing but no equity stake by foreigners. Each of the four foreign companies has been negotiating for a year with the Vietnamese authorities on revenue sharing arrangements. None has revealed what has been agreed, but experts say 50-50 sharing over 15 years is likely.

Vietnam, which in 1986 had only nine international telephone lines, is keen to expand its network as fast as possible and aims to increase the number of telephones per 100 people to five by 2000, from about 0.4 currently.

VNPT maintains a monopoly of telecommunications services in Vietnam. This is likely soon to be broken by a subsidiary of the Ministry of Defence, known as the Military Electronic Telecommunications Company (METC), which has been licensed by VNPT to set up a rival network, signalling the start of deregulation of the country's telecommunications industry.

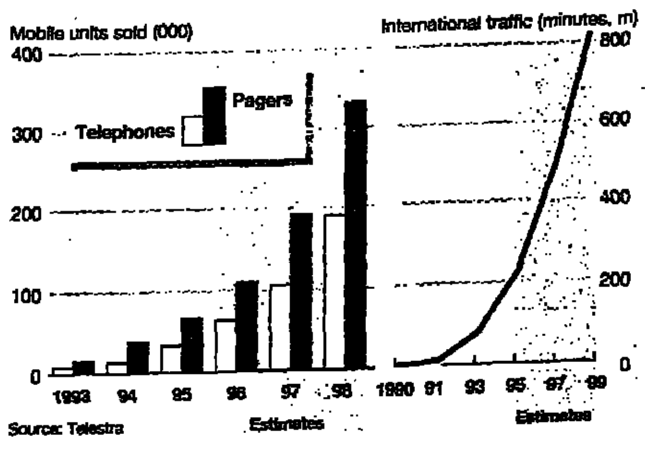
US companies USWest, Motorola, South Western Bell and AT&T are among companies that have been in talks with VNPT for over a year about helping the military set up the second network.

Experts say that Thai-based telecommunications company Jasmine International, together with US investment bank Goldman Sachs, is also interested and that METC may invite bids for a paging and cellular network in the next six months.

However, the picture has been complicated by the emergence in December of Saigon Postel, a unit of the Ministry of Defence and the Ho Chi Minh City people's committee, which also has ambitions to become an operator.

It is understood to have attracted interests from some of the foreign companies in talks with METC impatient with slow progress by METC.

'It's Vietnam on the line'



BMW to put $200m more into US plant

By John Griffiths

BMW, the German carmaker, is to invest a further $200m in its Spartanburg, South Carolina, car plant – its first outside Germany – to expand capacity from 75,000 to 100,000 cars a year.

The expansion will create 500 more jobs at the plant, the sole source of supply for the new Z3 sports car which BMW plans to sell around the world. It also produces 3-Series saloons for the North American market. Current employment is 1,700.

It also adds strength to recent BMW warnings that it would consider increasing output outside Germany to compensate for the rise in the D-Mark and other high costs of producing in Germany.

The additional capacity on the 1,000-acre site will bring BMW's total investment in its South Carolina facilities to more than $800m.

It also indicates that the company is becoming more confident about quality standards at the plant, in a region of the US which has few motor industry traditions.

US executives of the company do not rule out a further expansion of the facilities, to 120,000-130,000 units a year, in the longer term.

Mr Berndt Pischetsrieder, BMW's chairman, says the Spartanburg plant could be "only the first" of several manufacturing sites outside Germany. BMW already owns Rover Group of the UK.

BMW, whose success in its chosen executive sector market niches is strongly dependent on high quality standards, has taken a cautious approach to building up production levels while training its greenfield site work force.

Initial output when the facilities first opened 18 months ago was only a few dozen cars a week.

The plant is continuing to increase production rates steadily but is not expected to reach 200-250 cars a week until the end of this year. After the expansion the weekly output rate is will reach 400.

The expansion primarily entails larger body production and final assembly areas. Paint plant capacity is already adequate for the higher output. It was described yesterday as "a vote of confidence" in the South Carolina work force. "They have been instrumental in delivering world-class quality to our customers," said Mr Al Kinser, president of BMW Manufacturing, the US subsidiary.

No Republican star is born, Page 6

Indonesia unveils selective car market reform package

By Manuela Saragosa in Jakarta

The Indonesian government yesterday unveiled a reform package for the country's car market, but the deregulation is so selective that the immediate beneficiary is President Suharto's youngest son.

Under the "pioneer" scheme, the government will allow wholly owned Indonesian companies to be exempt from duties on car components and sales tax in the first year of production. Sales taxes on passenger cars produced in Indonesia range from 20 to 35 per cent.

The only company which qualifies for these concessions is Timor Putra Nasional, a company controlled by Mr Hutomo Mandala Putra, the president's youngest son.

The concessions have been given to Mr Hutomo's company ostensibly because his company will make an all-Indonesian car. Earlier this week, Mr Hutomo announced that Timor Putra Nasional would develop the Timor car, a 1,500cc sedan, together with South Korea's Kia Motors.

The vehicle, whose name recalls the politically disputed territory of East Timor, is similar to Kia's Sephia model but will be sold in Indonesia without the Kia logo. Although the Timor car is being developed together with Kia Motors, the company making the car appears to be wholly owned by Mr Hutomo.

The "pioneer" companies also will be required to increase gradually the local content in the cars they produce – to 20 per cent in the first year, 40 per cent in the second and 60 per cent in the third year, he said.

The reform, however, may give some advantage to another Korean car maker. Hyundai last year entered a technical assistance agreement to assemble cars with Citra Mobil Nusantara, part of the publicly listed Bimantara Group controlled by President Suharto's second son, Mr Bambang Trihatmodjo.

These two have not worked out their shareholdings yet but if Citra Mobil Nusantara becomes fully Indonesian-owned the two partners would also qualify for the tax and duty exemptions.

Mr Tunky Ariwibowo, the co-ordinating minister for trade and industry, said the scheme "is intended to bring about major structural changes in the Indonesian automotive industry so that it can develop into a world-standard industry".

However, analysts note that the change in effect allows Mr Hutomo to undercut all other vehicle makers in the Indonesian market, which is dominated by Japanese car manufacturers. Toyota, Mazda, Suzuki, Mitsubishi, Nissan, Honda and Daihatsu all assemble cars in Indonesian primarily for the domestic market.

In addition, the scheme will make it difficult for existing Japanese car assemblers to enter the saloon car market. They are subject to a high and complicated tariff structure which discriminates against passenger cars in favour of commercial vehicles. Over 370,000 vehicles were sold in Indonesia last year, of which just under 40,000 were passenger cars.

At least three of these Japanese car makers assemble vehicles in a joint-venture arrangement with the publicly listed company Astra International, which ranks as Indonesia's largest car maker.

The expectation is that Astra International, which manufactures the Kijang van in a venture with Japan's Toyota for the Indonesian market, will be disadvantaged by the reform package. Although the Kijang is a commercial vehicle, it ranks as one of the cheapest, most popular models on the market and is widely used as a passenger car.

WORLD TRADE NEWS DIGEST

World trade 'can be green'

Rules to protect endangered species, the ozone layer and environment need not clash with those governing world trade, the European Commission said yesterday.

This view was contained in a commission paper drafted in preparation for the inaugural ministerial session of the World Trade Organisation in Singapore this December. The paper said trade encouraged the efficient use of resources and the rapid circulation of new technology.

"An open multilateral trading system makes possible a more efficient use of natural resources and contributes to lessening demands on the environment. Trade has created a $250bn annual market in green technology, which is growing at 8 per cent a year," an accompanying statement said.

Nor do stricter environmental rules in industrialised countries send companies packing for poorer countries in search of less stringent regulations, it said.

"Environmental costs are not a decisive factor for industries, representing 1 to 2 per cent of overall production costs in the EU. There is no persuasive evidence of 'eco-dumping', nor of any large-scale industrial exodus to 'pollution havens'," the statement added. *Reuter, Brussels*

Tarmac seeks Dutch work

Tarmac, one of Britain's biggest construction and building materials groups, is joining forces with four Dutch contractors to bid for railway projects in the Netherlands.

Some £6bn ($9.2bn) is expected to be invested in Dutch railways over the next 10 years according to Aduco International, representing the consortium of Dutch contractors which is forming a joint venture with Tarmac.

Aduco is already well established in Dutch and Belgian markets and also has offices in Africa and South America. Member companies are Bruil Bedriven, J.G. Nelis, Oclms Bebeer and Schagen Zwolle.

The joint venture with Tarmac is targeting tramway, metro and light rail projects, high-speed and other mainline passenger and freight railways as well as privately owned mineral and industrial lines in the Netherlands.

As a first step it will be bidding for work on the 160km Betuwe line linking the port of Rotterdam with the national German rail network passing through Utrecht.

The venture will also seek contracts for track work for the planned extensions to the Rotterdam and Amsterdam metro systems and the proposed expansion of rail links to Schiphol airport. Tarmac, which has worked with Aduco in Africa, said the venture would offer a full package for modern railway construction. *Andrew Taylor, Construction Correspondent*

Contracts and ventures

■ Keller Group, international ground engineering specialist, has won contracts worth DM18.5m ($12.5m) for work on German rail projects. It is building more than 8,000 temporary ground anchors for part of the Frankfurt-Cologne high-speed rail link. It is also providing soil improvement services for an 8km section of the Hamburg-Berlin rail link. *Andrew Taylor*

■ Philipp Holzmann of Germany and Balfour Beatty, the construction arm of BICC, the UK engineering group, have won a DM112m joint venture contract to build a headquarters for Abu Dhabi National Oil Company in Abu Dhabi.

The two 20-storey office towers, to be clad in granite, are expected to take 21 months to build. *Andrew Taylor*

■ Sumitomo Electric Industries will form a joint venture with a group of Chinese companies in Tianjin, China, to produce components for wire harnesses for use in vehicles. The joint venture will be capitalised at Y240m ($2.2m). *Reuter, Tokyo*

Israel's rightwingers discuss a united front

Julian Ozanne on a potential electoral nightmare for premier Shimon Peres and the peace process

Surprise talks were under way in Jerusalem yesterday by Israel's three secular rightwing political parties to form a united front ahead of elections due in three months.

Such a front would pose a serious challenge to the Israeli prime minister, Mr Shimon Peres, the Arab-Israeli peace process and the fragmented leftwing parties that form Israel's peace camp.

Officials of the Likud, the main rightwing opposition party, confirmed yesterday that an agreement in principle had been reached with Mr David Levy, a maverick rightwing parliamentarian, to join his new party in a united rightwing front. However, details of the agreement, being brokered by Mr Ariel Sharon, a senior Likud leader, have yet to be finalised and it could face significant opposition from inside the party.

The agreement follows an electoral pact this month between the Likud and the ultra-nationalist Tsomet party.

The advantages for the rightwing opposition from a united front are considerable. It would clear the way for the right to field Mr Benjamin Netanyahu, the Likud leader, as the single challenger to Mr Shimon Peres in Israel's first direct election of the prime minister. Recent polls have shown that Mr Levy, a Moroccan-born former Likud foreign minister widely supported by Israel's disadvantaged oriental Jews, could win up to 7 per cent of the vote in a three-way race for the premiership. If he joins the Tsomet-Likud ticket and withdraws from the race in order to back Mr Netanyahu, his supporters could ensure Mr Netanyahu victory over Mr Peres in the crucial first round of voting.

A united front would also group Israel's four most popular and respected rightwing leaders – Mr Netanyahu, Mr Rafael Eitan, Tsomet leader, Mr Sharon and Mr Levy – in a coalition focused on opposing the peace policies of Mr Peres' Labour-led coalition government. The four-man leadership would present themselves as a dream ticket and the four key ministers in a future government.

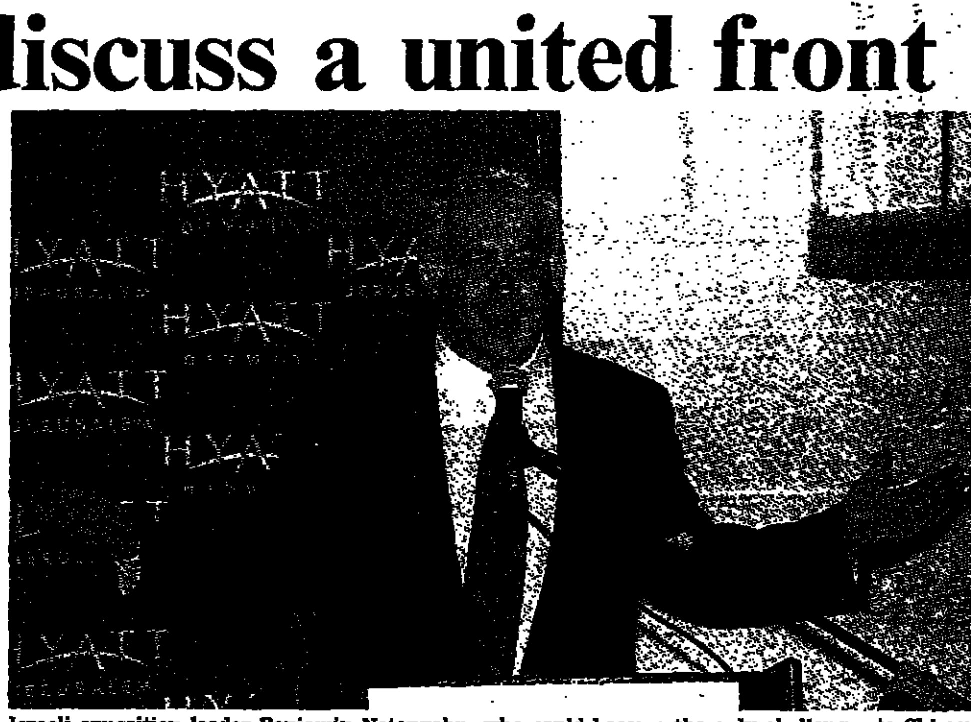
The move is a political nightmare for Mr Peres, who has called early elections on a platform of making peace with the Arabs. His substantial lead in the polls over Mr Netanyahu was hit severely this week by three Palestinian Islamic terrorist attacks which killed 28 people. Mr Peres, who has suffered consistent credibility problems among Israelis throughout his long political career, is beginning to view with alarm the fact that his electoral chances may be hostage to the intentions of Palestinian extremists.

Furthermore, in the parliamentary elections, the leftwing peace bloc is split among Labour, Arab parties, the leftwing ultra-secularist Meretz party and a breakaway party from Labour which opposes the government's peace policy with Syria.

However, sealing a deal between Likud-Tsomet and Mr Levy will not be easy. Mr Levy has demanded a high price. He wants the number two slot on the joint list of parliamentary candidates; the same independent status for his party as Likud gave to Tsomet; and a guarantee that he will be given the foreign ministry if the opposition wins power.

He also wants seven places reserved for him and his supporters on the list of the top 40 parliamentary candidates which will be presented to voters as a joint slate.

The last demand will be the most difficult to meet. Likud has already surrendered seven places in the top 40 to Tsomet, a move widely criticised inside the party. Giving Mr Levy seven more would reduce Likud's representation on the slate to 26 and force several members of its current 32-strong parliamentary party to lower slots and likely defeat. Another problem is the bitter personal animosity between Mr Levy and Mr Netanyahu, who have not spoken to each other for almost four years.



Israeli opposition leader Benjamin Netanyahu, who could become the only challenger to Shimon Peres, addresses the Foreign Press Association in Jerusalem yesterday Reuter

Great Game for many players

Gillian Tett on the Central Asian tour by Iran's foreign minister

Mr Ali Akbar Velayati, the Iranian foreign minister, a wily player in Central Asia's complex politics, flies to Tajikistan this week, raising hopes that the Iranians may help break the political deadlock that has dogged the country of 5m in recent months.

Though the government and opposition have been engaged in United Nations-sponsored peace negotiations after a bitter civil war in 1992, the talks have all but broken down.

However, the Iranian visit is likely to be watched by diplomats for more than its short-term impact on the peace process.

Four years after the Central Asian states first gained their independence from Moscow, Iran's activities across the region are still attracting considerable attention in the west.

Tajikistan and Iran share a bond of language – Farsi – and a long history of shared ties. Tajik television is increasingly showing Iranian films – and its intellectuals are vying to copy Iranian phrases.

Last summer a senior Tajik politician expressed a hope that one day Tajikistan could unite with Iran and northern Afghanistan to create the type of "greater Iranian" state that was last seen in the middle ages.

Apart from this cultural bond, Iran also has a strong desire to exert its religious and economic influence across the region.

Mr Velayati is likely to highlight new bonds with all the Central Asian states and to float a proposal to build a new rail link between Iran and Turkmenistan.

When the Soviet Union first broke up, initiatives like these provoked considerable alarm in the west – as well as speculation that the region was dogged by a new "great game", between a fundamentalist Iran and secular Turkey, both of whom have historical links to the area.

Geopolitics are not however a two-player match. Instead, they are a messy kaleidoscope of interests, encompassing India, China, Pakistan, Russia and the US.

Iran's own influence has been far less significant than the alarmists originally thought.

One reason has been that Iran's economic crisis has meant it has not been able to offer significant economic aid. Another is that its foreign policy is dogged by splits between radical revolutionaries and pragmatic moderates.

A third, and increasingly important, factor is that Iran is wary of needlessly provoking Russia. Moscow, as Mr Yevgeny Primakov, Russian foreign minister, made clear on a recent visit to Tajikistan, still regards the area its "strategic underbelly".

These diverse threads have consequently given an ambiguous touch to Iran's role in Tajikistan. During the 1992 civil war Tehran supported the opposition and has since provided help for its followers.

Mr Akbar Turanjonzoda, deputy leader of the Islamic Renaissance party, the most significant figure in the opposition, for example, has a base in Tehran, and can use the Iranian government's lavish houses for meetings with foreign journalists.

Iran has also acted as a broker for the opposition in some peace talks, acting as a counterpart to Russia, which has helped the Tajik government.

However, in recent months the Iranians have stepped up their contacts with the Tajik government as well.

This shift means that Mr Velayati could theoretically help push the peace process forward this week, particularly if Mr Primakov steps up similar pressure on the government at the same time.

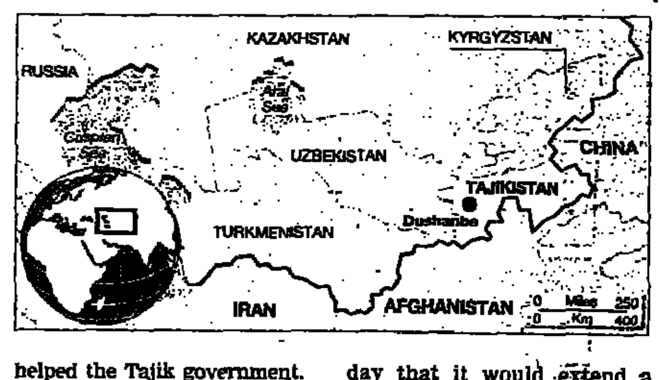
Some diplomats believe that he will propose new talks in Tehran, after talks in Turkmenistan broke down two weeks ago.

He also seems to have been instrumental in an announcement by the opposition yesterday that it would extend a ceasefire for three more months.

But this is unlikely to have much practical impact. Fighting is reported to be continuing in eastern Tajikistan, since the opposition seized a strategic region last month.

Furthermore, the opposition's representative to the UN mission was kidnapped this week – apparently by government forces.

With episodes like these adding to the tension in the country, Mr Velayati's diplomatic footwork will need to be truly startling if he is to have any long-term impact.



INTERNATIONAL NEWS DIGEST

Israeli bankers stay out of jail

A decade-old bank shares scandal that cost taxpayers $9bn came to a close yesterday when Israel's Supreme Court accepted an appeal by eight former banking executives to overturn their jail sentences. But the court upheld fines of up to $300,000 for some of the former executives found guilty in 1994 of manipulating the price of bank shares on the Tel Aviv Stock Exchange in the early 1980s.

The government paid $9bn to buy out the country's four main commercial banks in the 1980s after their inflated share prices collapsed in a rush by investors to dump stocks and buy US dollars on rumours of devaluation.

A Jerusalem District Court judge shocked the banking establishment in 1994 when she sentenced the former executives of Israel's top four banks to jail for the fraud scandal.

Mr Ernst Japhet, who was chairman of Bank Leumi when it was Israel's biggest bank, had been sentenced to 11 months in jail and fined $300,000 by a Jerusalem court.

The government is now in the process of privatising the four powerful banks: Hapoalim, Leumi, Discount and United Mizrahi Bank. *Reuter, Tel Aviv*

● An official Syrian newspaper, in a significant policy shift, yesterday condemned Sunday's bomb attacks in Israel ahead of talks with the Jewish state opening in the US yesterday.

The official daily Syria Times referred to the two suicide bombings by Islamic militants, which killed 27 people, as an ordeal but said they should serve as a motive to Israeli negotiators to accept Syria's demands. *Reuter, Damascus*

Safer skies in 1995

The number of passengers killed in aircraft accidents fell slightly last year to 1,101, compared with 1,192 in 1994, according to the International Civil Aviation Organisation.

There were 26 scheduled aircraft accidents involving fatalities last year, compared with 28 the year before. The number of passengers killed in scheduled flight accidents fell from 941 in 1994 to 710 last year.

Icao said there were 40 fatal accidents involving non-scheduled aircraft last year. While this was down from 54 in 1994, the number of passengers killed last year rose to 391, compared with 251 in 1994. There was a sharp drop, however, in hijacking and other forms of "unlawful interference" with aircraft. Last year, there were 13 such incidents, in which two innocent people and one perpetrator were injured.

In 1994, there were 37 incidents, in which 31 innocent people were killed and 52 injured. Five perpetrators were killed and one injured in 1994. *Michael Skapinker, London*

Rwandan held in Nairobi

Tense relations between Kenya and Rwanda have worsened with the arrest in Nairobi of the head of the Rwandan embassy's visa section, suspected of involvement in the attempted assassination of a former interior minister.

The Rwandan embassy's chargé confirmed yesterday that Kenyan police had detained Mr François Mugabo, one of the three expatriates working at the embassy, after Mr Seth Sendashonga, was shot in the arm on Monday.

The chargé rejected claims by Mr Sendashonga, a Hutu minister sacked last year after denouncing human rights abuses by Rwanda's Tutsi-led government, that the authorities in Kigali had ordered his assassination.

The incident is bound to sour further the relationship between Nairobi and Kigali, which already fiercely resents the presence in Kenya of hundreds of former Hutu politicians, army officers and local officials who masterminded the 1994 genocide. *Michela Wrong, Nairobi*

Singapore offers more telecom shares

By Peter Montagnon, Asia Editor

Singapore yesterday announced a further sale of shares in its Singapore Telecom utility and tax cuts totalling S$1.5bn ($1.06bn) in a budget widely seen as a prelude to general elections expected within the next few months.

Mr Richard Hu, finance minister, said the Singapore Telecom offering would follow the pattern established in the original offering in 1993 when local investors were offered shares at a discount with a loyalty bonus as well as government contributions to pension funds to help them participate.

Local investors who bought shares at the offer price of S$1.90 and held on to them would have more than doubled their money at yesterday's closing price of S$3.52 after factoring in the loyalty bonus, he told parliament. Details of the issue would be made public later in the year.

The Telecom issue proved unpopular with international investors who did not receive a discount on the shares, but has been a winner with the Singapore public. No mention was made yesterday of a further international tranche.

Brokers said the budget announcements would add to expectations that the government is preparing to announce an election soon. The government does not have to go to the polls for another year, but elections are normally called early in Singapore and the government is buoyed by another year of strong growth which reached 8.9 per cent last year.

Mr Hu admitted that there was no need for tax cuts to stimulate the economy, but he said they would alleviate pressures on some businesses caused by rising labour costs and the stronger Singapore dollar.

Even after the cuts the government will still have a surplus amounting S$7.07bn or some 5.4 per cent of gross domestic product compared with S$6.28bn in the current year.

Among the specific measures are a 10 per cent tax rebate for individuals, and a cut in corporate profits tax to 26 per cent from 28 per cent. Property tax and withholding tax rates are also to come down.

The decision to float more of Singapore Telecom comes less than a month after Singapore deferred a decision to float Singapore Power on the grounds that it needed time to improve its returns. The government said yesterday that power prices would be allowed to increase gradually both to achieve this and bring Singapore Power prices more in line with international levels.

India's fiscal deficit higher than target

By Mark Nicholson in New Delhi

Buoyant Indian tax and excise revenues failed to compensate for higher government spending and poor receipts from state disinvestment, leaving a fiscal deficit for 1995-96 of 5.9 per cent of GDP, Mr Manmohan Singh, finance minister, said yesterday while presenting an interim budget. The outturn overshot Mr Singh's target of 5.5 per cent for the fiscal year.

Given the proximity of elections, expected in April, Mr Singh's budget contained no tax or policy changes and essentially laid out spending needs for only the first four months of the next fiscal year. Nevertheless, he said an unchanged tax regime and expected receipts of Rs50bn ($1.4bn) from public asset sales should produce a lower fiscal gap next year of 5 per cent of GDP.

In the absence of new policy measures, Mr Singh gave an unashamedly pre-electoral speech, highlighting the government's success in raising growth, cutting inflation and improving India's trade position during more than four years of economic reform. But he said the task of reform was "by no means over", saying India's next government would be forced to make further reforms to sustain growth.

He said spending for 1995-96 was Rs108bn higher, at Rs1,830bn, than budgeted because of higher state loans and additional spending on food and fertiliser subsidies, police, defence and loans to public enterprises. Though revenues of Rs1,750bn were boosted by Rs67bn over expected tax and excise receipts, he said the government had earned just Rs3.75bn from public asset sales against a targeted Rs70bn, because of depressed equity markets.

Service to await introduction of interactive television

HK video on demand delayed

By Louise Lucas in Hong Kong

Hongkong Telecom is to delay its trail-blazing video on demand (VOD) service by one year, in a move that highlights the company's vulnerability – as one that is British-controlled – to pending regulation.

Hongkong Telecom, 58 per cent owned by Cable & Wireless of the UK, planned to start its VOD service this summer, which would have been a world first. But yesterday Mr William Lo, managing director of Hongkong Telecom IMS, the wholly owned subsidiary handling interactive multimedia services, said VOD would be pushed back to the middle of 1997 when interactive television services start, including home shopping and banking. It aimed to spend HK$10bn ($1.3bn) on the service over 10 years.

The Hong Kong government last month shelved an omnibus broadcasting bill so it could push through laws governing the new technology using existing ordinances for television services. Hongkong Telecom's timing in announcing the delay throws into question last month's policy change as well as a judicial review now under way.

Although Mr Lo said technological reasons were behind the delay, he conceded that competition and regulation had played a part.

Meantime, Wharf Cable is challenging the government in court over its decision to allow Hongkong Telecom to proceed with a commercial trial of VOD, which it feels breach its own exclusive licence to provide subscriber TV.

The government initially said that, as a point to point transmission, VOD should be regulated under the telecoms ordinance, but Wharf Cable argues that as it is offering a broadcasting service it should be regulated under the television ordinance.

This is rejected by Hongkong Telecom. Industry insiders say the television ordinance's clause stipulating foreign ownership does not exceed 49 per cent, which can, at the government's discretion, be waived, gives Hongkong Telecoms cause for alarm. The issue is sensitive now, as all licences straddling the handover of sovereignty must be forwarded to Beijing for approval.

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Bangkok talks seek test ban pact

By Ted Bardacke and Peter Montagnon in Bangkok

Leaders of European and Asian nations meeting in Bangkok this Friday will agree to push for early conclusion of a nuclear test ban treaty, and co-operate on strengthening the World Trade Organisation, a draft statement to be issued at the end of the meeting says.

The leaders will agree to co-operate on "the effective reform and democratisation" of the UN system. The draft directs officials to begin informal discussions on liberalising trade and investment. It calls for a further summit meeting in the UK in 1998, but leaves several issues open.

It makes no specific mention of several issues Europe had deemed important, including human rights and labour rights and their link to world trade. No commitment is made from either side on pushing forward with telecom and maritime liberalisation, which the European Commission had said was a priority.

These and other delicate issues are expected to be broached at an informal dinner Thai prime minister Banharn Silpa-archa is to host this evening, where he will try to gauge what issues should be included in the two-day agendaless summit.

A new set of disagreements are looming. Thailand is lobbying hard to get the three nuclear powers attending the summit (China, France and the UK) to shelve their technical objections and commit themselves to the Southeast Asia Nuclear Weapons Free Zone agreed last December.

Some European nations are likely to object to a request by Asia to help develop the Mekong River region because it would mean official assistance to the military dictatorship in Burma. The EU is keen to have India, Australia and New Zealand take part in the next Asia-Europe summit, but several countries, mainly Malaysia, object to further enlargement.

The main focus will be on economic co-operation. The meeting is to commit itself to Chinese membership of the WTO, saying: "Full participation in the WTO by the Asia-Europe meeting countries will strengthen the organisation." It will endorse open regionalism on trade issues; countries will commit themselves to bringing new issues before the WTO, including a worldwide code to speed foreign direct investment.

Labor hits at A$4bn election 'hole'

By Nikki Tait in Sydney

Australia's Labor government yesterday hit out at opposition plans to fund more than A$6bn ($4.5bn) worth of election promises over the next three years, claiming a A$4bn "hole" existed in the revenue and cost-saving measures designed to pay for these.

But the impact of its criticisms, made just three days before the March 2 poll, was undermined when Mr Ralph Willis, federal treasurer, alleged the Liberal-National coalition had a secret plan to cut by A$1.8bn federal government funds for the state governments. State governments have few revenue-raising powers, and depend heavily on grants from Canberra.

Mr Willis based his allegations on copies of two letters, said to have been sent from the Victorian state premier and an adviser to Mr Peter Costello, shadow treasurer.

However, the coalition immediately declared them forgeries, demanded they be passed to the federal police, and called for the treasurer's resignation. Mr Willis said later he had passed on the letters to the authorities.

To compound the government's embarrassment, copies of the letters were sent to the offices of one of the minor parties, who decided they were unlikely to be authentic, and did not raise them.

Apart from diverting attention from the original costing analysis, the incident is likely to reinforce the impression that Labor is behind in the polls and desperate to use any tactic to gain an edge.

Mr Willis based his original criticism of the coalition's costings on a A$1.24bn "base shortfall" which he said had been identified by finance and treasury department officials.

To this was added a further A$1.44bn from proposals "too vague for finance/treasury to cost"; A$400m of cuts which Labor claims will not be pursued; and extra offsetting costs arising from the coalition's package of A$900m.

ASIA-PACIFIC NEWS DIGEST

Car sales hurt Japanese output

Disappointing new-year sales by the Japanese car industry contributed to an unexpected slowdown in the pace of industrial output last month, the Ministry of International Trade and Industry said yesterday. Overall production growth slowed slightly to 0.5 per cent between December and January, from 0.8 per cent the month before, causing Miti to downgrade its output forecast for the three months to the end of March.

The January increase was far below the 1.1 per cent companies told Miti to expect in the monthly output survey in December. Miti now thinks production will rise by 0.8 per cent from the fourth quarter of last calendar year to the first quarter of 1996. Year on year, the first quarter increase in output would be 0.4 per cent. Companies told Miti they expect output to rise by 1.5 per cent in the current month, but fall off sharply, by 5.3 per cent in March. *William Dawkins, Tokyo*

New Zealand coalition in place

New Zealand's National government yesterday formed a coalition with the United party, giving the country its first formal coalition administration since the early 1930s. The United party has supported the government in parliament on all main issues since it was formed by a group of seven breakaway National and Labour MPs last year. Under the agreement a United MP, Mr Peter Dunne, will join the cabinet.

The coalition decision will ensure the government, which is in a minority, will be able to pass contentious legislation including tax cuts until the November election. The United party is seen as the best hope as a permanent coalition partner for the National party after the election. National remains the most popular party in opinion polls with around 44 per cent support. *Terry Hall, Wellington*

Belgium grants Vietnam aid

Belgium will grant Vietnam BFr450m ($15m) in aid up to the end of 1998 as part of a new co-operation agreement to be signed later this year, Mr Jean Luc Dehaene, the Belgian prime minister, said yesterday during an official visit to Vietnam. The two countries also agreed on the avoidance of double taxation. Belgium agricultural group Isocab had signed BFr1.3bn contract to invest in a fisheries project with a Vietnamese partner in Minh Hai province, Mr Dehaene said. Belgian engineering consortium IPEM, US insurance company American International Group, and Thai property developer Sri U Thong were to sign a framework agreement with authorities in the port city of Haiphong for construction of a $560m port and industrial zone. Both projects will boost Belgian investment in Vietnam, where the country is the 33rd largest investor with $15m. *Jeremy Grant, Hanoi*

Taiwan names China 'minister'

Mr Chang King-yuh, a China-born academic, yesterday took over the helm of Taiwan's cabinet-level Mainland Affairs Council, the ministry responsible for shaping the country's policy on ties with China. The seat has been vacant since last autumn when Mr Vincent Siew resigned to run for a parliamentary seat in December's legislative elections.

The appointment of Mr Chang, a minister without portfolio since 1994, comes at a critical juncture. China, which regards Taiwan as a wayward Chinese province eventually to be recovered by force if necessary, has stepped up hostilities ahead of Taiwan's first direct presidential elections on March 23. *Laura Tyson, Taipei*

NEWS: THE AMERICAS

The Republican party has not come any closer to finding a presidential candidate to beat Bill Clinton

No star is born as US voters mix their messages

By Jurek Martin in Greenville, South Carolina

There are no safe conclusions after the Republican primaries in Arizona and the Dakotas beyond the obvious: that each state and cluster of states – with 22 voting between Saturday and March 26 – are capable of sending out entirely different messages as to which of three, possibly four, candidates are up or down the morning after.

Yesterday's dawn brought smiles to Mr Steve Forbes, first in Arizona and with all its 39 delegates in the bag. However, the millionaire publisher, a poor fourth in Iowa and New Hampshire, has scored wins in Arizona and Delaware, neither of them key states in the race, only when he has outspent his opponents by extraordinary margins.

The day looked a little brighter to Senator Bob Dole, because the majority leader won North and South Dakota, which he virtually had to, and finished a tolerably close second in Arizona after exit polls had projected a bad third. But he remains an unconvincing candidate, struggling to get any kind of persuasive message across.

Mr Pat Buchanan, the conservative commentator, was uncharacteristically pensive on the breakfast shows, unable to disguise his disappointment that third in Arizona was a far cry from an expected victory and finding obscure consolation that he had taken a few delegates away from Mr Dole in South Dakota.

Dawn also brought a flood of commercials for Mr Lamar Alexander on South Carolina television. The former governor of Tennessee had better hope they work here in his native south after three single digit finishes on Tuesday. In North Dakota, which allowed mail-in ballots, he even ended up behind Senator Phil Gramm of Texas, who withdrew after the Iowa caucuses on February 12. Anything less than a solid second in south Carolina could mean the end of his money and of the road.

The state's primary on Saturday looks big for all but Mr Forbes. He can always excuse a poor result on the grounds that pure-bred Yankees like himself are not exactly popular in the old Confederacy. Five New England primaries next Tuesday appear more friendly territory, especially if Senator Dick Lugar of Indiana stays in the race and continues to draw an important, if small, percentage of the vote away from Mr Dole.

But Mr Dole and his South Carolina campaign manager, former Republican Governor Carroll Campbell, have already raised the stakes high for Saturday by flatly declaring a victory to be nothing less than essential. The state party hierarchy, including, if reluctantly, Mr David Beasley, the current governor with close ties to the religious right, are all lined up in rows behind the majority leader.

Mr Buchanan may have even more on the line because his twin pitches of moral absolutism and protectionism collide to an exceptional degree in South Carolina.

On the one hand, the state is a hotbed of religious fundamentalism, home to the evangelical Bob Jones University. On the other its economy, once so dependent on agriculture and textiles, has been transformed by foreign investment and trade.

Thus yesterday afternoon Mr Dole was in Greer, where on Tuesday BMW of Germany announced a $200m expansion to its four-year-old plant, creating another 500 jobs. Last Thursday Fuji Film of Japan unveiled a seventh facility. Over 111,000 South Carolinians, nearly 9 per cent of the labour force, are now employed by the subsidiaries of foreign companies, earning wages an average of 21 per cent higher than paid by US companies.

Mr Buchanan bemoans the collapse of US manufacturing in the face of foreign competition. But in South Carolina, while total manufacturing employment in the state has been flat or declining, jobs created by foreign companies have risen by nearly 15 per cent.

Still, Mr Buchanan's "conservatism of the heart," rooted in his determination to end abortion, may prevail in the state over considerations of the head and the pocketbook. He will also get support from blue collar workers in the declining textile industry, one of whose barons, Mr Roger Milliken, is his most substantial financial backer. Senator Ernest Hollings, the Democrat, has built his career as an unabashed protectionist in defence of the textile industry.

However, in Arizona, also a state in the throes of economic expansion, Republican voters were much less swayed by protectionist arguments, as witnessed by the Forbes victory.

As February ends, the Republican Party is no closer to finding a presidential candidate than it was when the month began. It cannot even settle on the man most likely to stop the Buchanan bandwagon – and may not for weeks to come.

If that is music to the ears of President Bill Clinton in the White House, as it surely must be, at least he has the sense not to sing a premature victory song out loud.

SWEET SUCCESS: Forbes and his two daughters after his Arizona victory

Mr Newt Gingrich, US House Speaker, said yesterday that Congress and President Bill Clinton were moving toward a potential breakthrough in stalled budget negotiations, Afshin Molavi reports from Washington.

Clinton Administration officials were more subdued, saying no serious proposals had been suggested by either side.

After a Monday night conversation with Mr Clinton, Mr Gingrich said he was optimistic a deal could be brokered.

Republican leaders are considering a plan to add budget provisions to a bill, due by mid-March, that would raise the $4,900bn debt limit. The White House is hoping for debt-ceiling legislation without amendments, but Mr Gingrich advocates adding a tax cuts package to the bill.

Serious differences remain among Republicans and Mr Clinton over tax cuts and Medicare and welfare reform and Republican additions to the debt-ceiling legislation could lead to another budget showdown.

Republican primary results*

ARIZONA	
Steve Forbes	33%
Bob Dole	30%
Pat Buchanan	27%
Lamar Alexander	7%
NORTH DAKOTA	
Bob Dole	42%
Steve Forbes	20%
Pat Buchanan	18%
Phil Gramm**	10%
Lamar Alexander	7%
SOUTH DAKOTA	
Bob Dole	45%
Pat Buchanan	29%
Steve Forbes	13%
Lamar Alexander	9%

*AFP reporting counts in 90% of precincts in Arizona and 100% in the Dakotas
**Gramm dropped out of race, but name still on ballot

Setback for Menem on tax drive

By David Pilling in Buenos Aires

Emergency powers sought by Argentine president Carlos Menem to modify tax levels without consulting Congress may be watered down after an initiative by the Senate to modify the so-called "superpowers" bill.

Senators, who last week granted Mr Menem special powers to merge and scrap overlapping layers of the state bureaucracy, appear unwilling to allow the president a similar free hand over tax decisions.

Mr Menem and Mr Domingo Cavallo, the economy minister, have argued that they need such powers in order to respond quickly to any revenue shortfalls. Without such a tool, many analysts and foreign investors believe Argentina may struggle to meet 1996 fiscal targets agreed with the International Monetary Fund.

The Senate was last night due to debate proposals that stop short of giving Mr Menem the "blank cheque" he is seeking.

Under the proposals – which if passed by the Senate would be sent to the lower house – any presidential tax modifications would be screened by a commission whose decisions would be binding.

Such a commission would, for example, be consulted if Mr Menem decided it was prudent to keep value added tax at its emergency level of 21 per cent throughout 1996. From April, VAT is due to return to its pre-Mexican crisis level of 18 per cent, but that may not prove practical if tax revenue falls short of expectations.

Senators have also proposed that a commission be established to examine the entire tax structure with a view to "modifying the current legislation in order to render it more equitable". The government of Mr Menem has greatly raised the tax take since 1989, but nearly 70 per cent of all taxes are levied on consumption, making the Argentine system highly regressive.

Mr Pedro Lacoste, partner at the Alpha economic consultancy, argues that a tax structure skewed too heavily towards consumption, aside from being unjust, is economically inconvenient. In times of recession, such as last year, tax revenue falls just when international capital flows are hardest to come by. Argentina needs a counter-cyclical tax structure, Mr Lacoste says, in order to make tax revenue more predictable.

US has turned corner on trade, says Brown

By Michael Prowse and Nancy Dunne in Washington

The US trade deficit in December was smaller than expected but figures for 1995 as a whole were the worst in seven years, the Commerce Department said yesterday.

Separate figures showed a larger-than-expected gain in consumer prices last month, partly reflecting higher energy costs. Financial markets did not interpret the data as evidence of a rise in underlying inflationary pressures.

The trade deficit was $6.8bn in December, marginally higher than a revised deficit of $6.7bn in November, but confirming a trend toward lower monthly deficits evident since last summer. The monthly deficit peaked at $11.4bn last June. The December figures were better than expected as most analysts had predicted a shortfall of about $7.2bn.

The deficit for the year as a whole was $111bn, up from $106.2bn in 1994. The US ran record deficits with Mexico and China of $15.4bn and $33.8bn respectively. The overall deficit reflected a $174.5bn shortfall on trade in goods only partly offset by a surplus on services of $63.4bn.

Mr Ron Brown, Commerce Secretary, said 1995 "will be remembered as the year we turned the corner on trade." Exports of goods rose 14 per cent from 1994, the fastest growth since 1988. Imports of goods rose 12 per cent.

The consumer price index rose 0.4 per cent last month and 2.7 per cent in the year to January. Economists had expected a gain of 0.3 per cent. The rise partly reflected a 1.9 per cent rise in energy costs. Excluding energy and food, the core index was up 0.3 per cent, more than expected.

The price data do not "portend any acceleration of inflation," Mr Allen Sinai, chief economist at Lehman Brothers, the New York investment bank, said. But it cast further doubt on the likelihood of another cut in short-term interest rates.

Analysts said the consumer price index had risen sharply in the early months of previous years, indicating a bias not fully allowed for in seasonal adjustments. US officials yesterday rushed to join Mr Brown in defending the US trade performance.

Mr Mickey Kantor, US Trade Representative, said exports had climbed at a record pace for six months in a row. One out of every three jobs created last year was due to exports.

Trade has become a central issue in the Republican presidential primaries, especially because of the protectionist stance of Mr Pat Buchanan, the conservative commentator.

Mr Brown gave credit for the improvement in the US trade picture to "a Clinton Administration trade policy aggressively promoting US exports throughout the world."

US bill on Cuba could hit foreign companies

By Afshin Molavi in Washington

The US Congress yesterday began detailed discussion of a bill that could seriously hamper the efforts of foreign companies to do business in Cuba by exposing them to costly US lawsuits and denying entry to the US to executives of sanctioned companies.

The Helms-Burton bill, named after Senator Jesse Helms and Representative Dan Burton, would allow American citizens, including naturalised Cuban-Americans, to sue foreign companies that invest in property the Cuban government has confiscated over the past 35 years.

Under the proposed legislation a Cuban-American living in Miami or New York could sue a foreign company for investing in Cuba if he could prove that the property belonged to him originally. This would open the floodgates for lawsuits against foreign companies investing in Cuba.

Critics of the legislation, including Connecticut Senator Christopher Dodd, say it would create countless lawsuits, upset US allies, and run counter to US trade agreements.

White House officials, originally wary of the extraterritorial aspects of the bill, yesterday met congressional staffers and did not voice opposition, according to Mr Marc Thiessen of the Senate foreign relations committee.

The Washington-based European-American Chamber of Commerce attacked the bill, saying it contravened "internationally accepted rules of law." Mr Willard M Berry, president of the chamber, urged Congress and the president to reconsider the bill, arguing that it violated the spirit of the multilateral agreement on investment (MAI) negotiations. US trade groups and chief executives have joined the chamber in protesting against aspects of the bill.

Foreign companies have not followed the US lead in isolating Cuba. European companies are particularly active in tourism development, oil prospection, cigar marketing and mining.

Anti-Cuba sentiment has been running high in both the White House and Congress this week after Cuban Mig-29's downed two unarmed Cuban-American piloted aircraft in international waters at the weekend.

On Monday, President Bill Clinton announced a series of sanctions against Cuba in response to the incident, including curbs on flights to Cuba, but the potent Miami-based Cuban-American lobby and their supporters in Congress complained that the measures lacked teeth.

The bill also calls for linking US aid to former Soviet states based on their relations with Cuba, keeping Cuba out of international financial institutions, and tightening the ban on Cuban sugar.

Republican presidential candidates, their eyes on the upcoming Florida election primary where anti-Castro sentiment runs high, have been quick to criticise Mr Clinton for his "soft" Cuba policy.

Colombia in a fix over US drug certification

By Sarita Kendall in Bogotá

For weeks high-level Colombian delegations have been shuttling to Washington in efforts to persuade the US to award Colombia full certification for its anti-drug efforts.

President Bill Clinton is required by law to certify by tomorrow whether some 26 drug-producing countries have been fully co-operating in its fight against the drug trade. Congress then has 30 days to endorse or change the report.

Last year Colombia squeaked through in an intermediate category, on the grounds that certifying the country was in the US's "vital national interests," narrowly avoiding both ignominy and possible economic sanctions. This year, with President Ernesto Samper and several members of the executive and legislature the subject of investigations into drug money and illegal funding of political campaigns, the picture is more complicated.

In theory, certification covers 1995. When listing Colombia's successes for the year, Mr Samper boasted: "Never has a government achieved so much against drug trafficking in such a short time."

Over 25,000 hectares of coca and 4,000 hectares of poppy plantations were destroyed and nearly 7,000 families benefited from crop substitution programmes. On all fronts – 573 laboratories destroyed, 30 aircraft intercepted, large quantities of chemical inputs for drug processing confiscated – the figures show substantial improvements over 1994.

Other advances included the capture or surrender of all but one of the Cali cartel leaders, introduction of legislation to combat money laundering and more controls at airports. Washington has confidence in the two key men leading the fight against trafficking, police chief General Rosso José Serrano and prosecutor-general Mr Alfonso Valdivieso.

However, other factors are also likely to influence the US decision, including:

● Mounting evidence pointing to drug funding of the Liberal party 1994 election campaign, with the president now facing a reopened congressional investigation.

● The January escape of leading Cali trafficker Mr José Santacruz Londoño from jail.

● Intelligence reports that some traffickers run their businesses from inside "maximum security" prisons.

Clinton must certify by tomorrow whether drug-producing countries have co-operated

Mr Guillermo Perry, finance minister, says that the 1995 results should ensure certification, but failing that "the short term consequences on the economy would be limited."

Colombia receives virtually no bilateral aid from the US, apart from the anti-drug assistance, which would continue. But following decertification, the US would automatically vote against development loans by multilateral banks to Colombia. This could in practice block new loans if the US decided to press the case. Some $200m of loans would be up for approval by the Inter-American Development Bank this year and $300m-400m from the World Bank, though loans already approved would not be hit.

The effects of decertification would be much more serious if the US government decided to impose trade and other economic sanctions, something which is not normally done to "friendly" countries such as Colombia.

An obvious target would be the special privileges granted under the Andean Trade Preferences Act, worth some $25m a year to Colombia. Other US trade preferences represent some $80m and foreign investors might reconsider projects in Colombia.

Decertification would be acutely embarrassing internationally, but the government could well gain from the anti-gringo feelings it would arouse among Colombians. Eradication of drug crops by aerial spraying is particularly unpopular in rural areas and Mr Samper's stated target – to wipe out illicit plantations by the end of his term – would seem even less feasible. It was also provide less incentive for spending nearly $1bn a year (of which 20 per cent is foreign aid) on fighting drugs.

Drug trafficking and cocaine processing dipped noticeably in the second half of last year but have started rising again.

Yet important changes are taking place with the long overdue exposure of narco-corruption. Whether the Colombian congress absolves Mr Samper or finds a "dignified exit" for him and the many others being investigated, it will never be as easy for drug criminals to buy their way into political power.

Yarrow shipyard wins $600m frigate battle

By Michael Cassell, James Harding, Stuart Dalby and James Buxton

The battle between two of Britain's remaining warship yards for the £400m ($616m) contract to build three Type 23 frigates for the Royal Navy was won yesterday by Yarrow on the Clyde. The decision, announced by Mr James Arbuthnot, defence minister, was greeted with delight in Glasgow but disappointment in Southampton, home of Vosper Thorneycroft, the losing yard.

At Westminster, Yarrow's victory brought renewed accusations that by giving the order to the Scottish yard, which has built nine of the 13 Type 23 frigates so far ordered, the government risked eliminating competition for warship construction in the UK.

Yarrow, which is owned by the General Electric Company, said the contract secured its future well into the next century. The company said that, as a result, it would be able to cut by 200 the 650 redundancies it had announced earlier this month. At that time, fears increased that Yarrow could lose all or some of the order, placing its future in jeopardy.

But Vosper Thorneycroft said its failure to win the contract meant that 300 jobs would be lost over the next year and another 150 workers would not have their short-term contracts renewed. Vosper said the redundancies would cost £3m.

Mr Martin Jay, chief executive of the Southampton yard, said it was "a very bad day for Vosper and for the south coast". But he said the company remained in a very strong financial position with a current order book worth more than £400m.

Vosper was increasing its export business in the Middle East and looking for new contract opportunities in the Far East, where it hopes contracts can be won within the next year. Vosper is also diversifying its activities to make the company less dependent on warship work.

Mr Davey Hall, president of the Amalgamated Engineering and Electrical Union, said the announcement was a "tragedy" for workers and reflected the continuing decline of the British shipbuilding industry.

Mr Arbuthnot said the government had carefully considered the strategic implications of its decision for competition in the industry. He stressed that Yarrow had won the order because it had offered a "significantly lower cost" and offered the best value for money for the taxpayer. Awarding the contract to Vosper would have been "setting aside the competition today to preserve some spurious competition in the future", he added.

"Our decision has been reached on the basis of best value for money for the taxpayer. It does not in any way reflect adversely on the capabilities of Vosper Thorneycroft as a builder of warships", Mr Arbuthnot said.

But Mr David Chidgey, Liberal Democrat MP for the Eastleigh constituency, which includes the Vosper yard, described the decision as "a case of MoD short-term expediency" which was very damaging from the point of view of retaining competition for warship work.

Crackdown on abuse of legal aid by wealthy

By Robert Rice, Legal Correspondent

A crackdown on abuse of the legal aid system by wealthy people who receive public funds to fight court actions was announced yesterday by the government.

From June several changes will be made to the arrangements for means testing apparently wealthy legal aid applicants. The value of homes above £100,000 ($154,000) will now be taken into account, and a new special investigations unit will be set up with the power to examine the assets of friends, relatives and children in assessing entitlement to aid.

Announcing the changes, Lord Mackay, the Lord Chancellor, said: "The government is fully committed to ensuring legal aid is only granted to those who are entitled to receive it."

About 3.5m people received legal aid in 1994-1995 at a cost to the taxpayer of nearly £1.4bn.

The government's move follows public outcry over the granting of millions of pounds in aid to a number of business people in high profile fraud cases.

Among those who received public funds while apparently continuing to enjoy a comfortable lifestyle were Mr Kevin and Mr Ian Maxwell, Mr Roger Levitt, the disgraced financier, and Mr Asil Nadir, the fugitive former Polly Peck chairman.

But the government only decided to act after it was revealed in June 1994 that Dr Jawad Hashim, an Arab businessman, had received more than £4m in aid to fight a legal battle with his former employer, the Arab Monetary Fund, despite owning six luxury homes.

Under the new regime claimants will face investigation by the unit if they have access to assets apparently owned by others, or have assets overseas, or an interest in a business with substantial assets.

Other factors which will trigger an investigation include a wealthy lifestyle, a reputation for being rich or having a rich partner, and any hint that applicants' finances have been rearranged so as to appear that they qualify for aid.

The Law Society said the proposal to take the value of an applicant's house into consideration was long overdue. But Mr Martin Mears, the society's president, said other proposals were "simply unworkable".

"The government has no means of requiring relatives and friends to co-operate with the inquiries," he said.

In a separate development the Policy Studies Institute, an independent think-tank, called for legal aid funding to cover test cases and legal advice to community groups.

At the moment, legal aid can only be granted to individuals.

Radio advertising shake-up fears

By Raymond Snoddy

Britain's advertising industry is likely to seek talks with the Office of Fair Trading following the near collapse of Independent Radio Sales, the second largest sales house for commercial radio advertising airtime in the UK.

IRS has been hit by the defection of two large clients – Emap, the media group which is also the largest commercial radio operator in terms of audience, and GWR the Bristol-based commercial radio group.

Both have switched their business to Media Sales & Marketing, a subsidiary of Capital Radio, the London-based radio group. The sales house will have the dominant share of radio advertising sales.

The only other sizeable venture is Scottish and Irish Radio Sales, owned by Scottish Radio Holdings. According to IRS, the decisions will mean that the radio stations it sells advertising for will drop from about 19 per cent of the radio audience to between 4 and 5 per cent. Unless new clients are signed IRS may go out of business.

"I am just staggered by this decision. This is not the right decision for radio or the industry," Mr Stan Park, managing director of IRS said yesterday.

The owners of IRS, Katz Media Corporation of the US, have indicated they will continue for the time being, but redundancies are likely.

IRS believes that MS & M will be selling radio advertising time for 65 per cent of the audience and will control as much as 80 per cent of the revenue. Mr John Ayling, managing director of a leading media advertising agency, said yesterday the MS & M market share was unacceptable.

"It was unacceptable in posters and it is unacceptable in radio," said Mr Ayling. He added that the advertising industry had fought to prevent any television sales house being able to control more than 25 per cent of advertising and would not accept what was effectively a radio sales monopoly.

Forty-four journalistic jobs were cut yesterday at the Independent and Independent on Sunday in the toughest round of cost-cutting at the loss-making newspaper group.

Mr Charles Wilson, acting editor of the newspaper since the abrupt departure of Mr Ian Hargreaves in November, made the decision as part of a restructuring so the paper can survive into the next century.

"This is the target structure that will enable us to produce a better quality Independent," Mr Wilson said last night. The job losses, which include a number of vacancies that will not be filled, are the second stage of a restructuring begun last year. The job losses have been accompanied by around 20 promotions or changes in job descriptions and management said no further redundancies are envisaged.

Isle of Man to issue first euro

By Gillian Tett, Economics Correspondent

The UK may seem set on opting out of a single currency – but one corner of the British Isles is bucking the trend.

The Isle of Man has announced it is to be the first European government to issue euro coins, apparently with the full blessing of other European authorities.

More than 40,000 coins are to be issued from today, bearing the euro mark according to a design created by the Isle of Man's own official mint.

The coins will be largely commemorative, cast in precious metals in 10, 15 and 50 euro denominations, and decorated with European composers. However, they will be legal tender as anybody holding the money will be able to change them into sterling or other denominations at an Isle of Man bank, according to an official exchange rate.

The Isle of Man's move is similar to initiatives in other European countries with the Ecu, the forerunner to the euro.

Gibraltar, for example, has struck a series of Ecu coins which are legal tender in that region, while the Isle of Man followed suit with a Manx Ecu back in 1994.

However, Pobjoy Mint, the Manx official mint, is the first European region to press ahead with Euro coins, following the decision on the name of the future single currency by European governments at the end of last year.

That the Manx move has been able to occur reflects the complexities of both the British constitution and monetary regulations during the preparations for a single currency.

Although the Isle of Man is geographically part of the British Isles, it has an independent government, tax regime and money issuing powers, even though the UK represents it in Europe.

In general, the Isle of Man government says that it is prepared to follow the UK government's stance over membership of a single currency. However, it has the right to issue a euro coin, under European regulations. These stipulate that countries can develop euro coins if their governments approve – and receive the backing of other European monetary authorities.

The Manx euro coins will continue to be legal tender, even if a single currency is introduced in 2002.

The European Monetary Institute, forerunner to a European central bank, is designing the euro coin that will be issued across the Union.

Gin sales will be stirred by newcomer

By Roderick Oram, Consumer Industries Editor

The UK gin market is heading for a turbulent period with the launch of a gin from the distiller of Famous Grouse Scotch whisky and an attempt by Allied Domecq to push Beefeater gin up market with a 15 per cent price increase.

Both moves are likely to put pressure on Gordon's Gin, the market leader, which is still trying to recover market share after its alcoholic strength was cut nearly four years ago.

The gin market has declined by about 2 per cent or 3 per cent a year in the 1990s as gin has lost out to other white spirits and alcohol consumption has slipped.

Gloag's Gin was launched into this fray yesterday by Highland Distilleries. The first white spirit from Highland, it takes its name from Matthew Gloag of Perth, the group's sales and marketing arm.

Available first in the UK, Highland will start to export it later this year through Rémy Cointreau, the French drinks group in which it has a cross shareholding, and other distributors.

After the strength of Gordon's Gin, produced by United Distillers, the Guinness subsidiary, was cut from 40 per cent to 37.5 per cent in 1992, its market share fell from about 50 per cent to low 40s.

Guinness said it made the cut because gin competed with vodka and rum, both with typically 37.5 per cent alcohol. The cut saves about 40p a bottle in excise duties and VAT. Some gin drinkers said they missed the alcohol and so switched to 40 per cent gins.

The main beneficiary was Allied Domecq's Beefeater, which has almost doubled its market share to 8 per cent. A new Gordon's advertising campaign launched in November has helped it recover.

To the surprise of the trade, however, Allied has started to implement a 15 per cent price increase on Beefeater. It says Beefeater always was a premium gin, selling abroad at a higher price than Gordon's.

Celtic soccer club to launch investment plan

By Patrick Harverson

Celtic FC is aiming to pep up its challenge for footballing honours by becoming the first club in Britain to launch its own personal equity plan.

Peps allow people to invest tax-free in shares and bonds and have proved extremely popular, attracting more than £3bn of investors' money since their launch nine years ago.

Celtic is now hoping to ride that boom. Caledonian Investments, the firm administering the Celtic Pep, will pay a large part of the commission it earns from the Pep's sales to the football club. That money will then go towards paying for new players and the development of the Celtic Park stadium.

In return for their investment, Celtic fans will get a 2 per cent discount on their commissions. The minimum lump sum investment is £1,000, or a monthly saving of £100, but wealthier followers of the famous Glaswegian club will be able to invest up to £6,000 a year.

"Celtic aims to compete at the highest possible level and that means the club must generate more income from commercial activities," said Mr Fergus McCann, the club's managing director.

But investment industry professionals say the Celtic Pep will have to attract a lot of investors if the club is to generate enough revenues to buy a top-flight player. Commissions on Pep sales are rarely above 3 per cent – and Celtic will only be getting a share of that.

Mr Ian Millward, investment marketing manager of Chase de Vere, says: "If the Pep attracted a million pounds they would be doing well. So Celtic would get a share of the £30,000 commission. It'll pay their wages for a fortnight, or it might buy their boots for a season."

The Pep will be marketed through Celtic Investment Services, a Caledonian subsidiary, and the club's fans should have no problem remembering the freephone number: 0800 21 1967. It marks the score and the date of the 2-1 defeat of Inter Milan that made Celtic the first British team to win the European Cup.

● Arsenal Football Club is in danger of losing its main sponsor, the electronics company JVC, when the current contract runs out at the end of this season.

The club would not comment yesterday, but a report in Marketing Week magazine quoted JVC as saying that Arsenal would need to find another sponsor when the £5m three-year contract ended.

If JVC does pull out, after 13 years as Arsenal's sponsor, it will not necessarily be a financial blow to the club.

If the club sign with a new sponsor, sales of its replica kits will rise as fans replace their out-of-date JVC-sponsored shirts.

Shorts heads for a break in the clouds

By John Murray Brown in Belfast

Shorts executives hand over the first 'horizontal stabiliser' for the new Global Express business jet at the Belfast factory yesterday

Turbulence is a familiar feature of the aerospace industry but this week has been a particularly buffeting one for Shorts, the Belfast-based aerospace company.

On Tuesday it was announced that Shorts' parent company, Bombardier, the Canadian industrial group, had pulled out of negotiations to buy Fokker, the troubled Dutch aircraft maker, which is one of Shorts' biggest customers. On the same day Shorts held a ceremony at its east Belfast facility to mark the delivery of the first tailplane for the Global Express, Bombardier's long-range business jet project.

The company achieved another first yesterday when it loaded the so-called "horizontal stabiliser" on to an Antonov 124 bound for Bombardier's facility in Montreal – the largest air shipment ever undertaken out of Northern Ireland.

Many in the industry saw the Canadian group, which acquired Shorts at privatisation in 1989, as front runner to take over the ailing Dutch concern. Shorts is Northern Ireland's largest employer with around 9,800 workers – more than 7,000 employed in the province.

Through making and designing the wings for the Fokker 100 and Fokker 70, Shorts' exposure to Fokker is considerable. Fokker accounts for around 20 per cent of Shorts' turnover, which in the year to January 1995 was almost £400m ($616m). In total 1,500 jobs are at stake. Already around 100 of the 400 assembly workers on the Fokker division have been redeployed to other divisions, some of them to the Global Express project.

The company has been told by Fokker's administrators that it has only two more weeks of guaranteed production. The administrators have now asked the Dutch government for further bridging finance to tide it over for a further couple of weeks.

Samsung, the Korean conglomerate, and a Dutch consortium are still in discussions over the purchase of Fokker. But for Shorts, one of the main worries, short of an outright closure of Fokker, is that if Samsung emerged as the new owner, it could decide to move production back to Asia.

Asked about such a possibility, Mr Roy McNulty, Shorts' president, said he believed it would be difficult to relocate a complex assembly line, such as that for a wing facility, to another site.

In some respects this week's twin events provide a reminder of just how far Shorts has diversified its product range since privatisation, when it depended on Fokker contracts for 40 per cent of its business.

"Obviously we're very keen to see Fokker survive, but its no longer the mainstay of our business," said Mr McNulty.

The company now has between £30m and £40m worth of sub contract work for Boeing. Meanwhile its defence division, which accounts for 45 per cent of Shorts' business, is favourite to be awarded a multi-million dollar contract to supply the US armed forces with its Starstreak air-to-air missile. Its support service division is bidding for a 10-year £300m contract with the UK Ministry of Defence, for a helicopter training centre.

More dramatic has been the transformation of Shorts' partnership with Bombardier, now its leading customer, with contracts worth around £90m a year.

Shorts, which is already the main manufacturer of the Lear 45, another Bombardier business jet, has invested around £50m and five years developing the Global Express, a project which involves French, US, Canadian, and Japanese collaboration. The project is using carbon fibre composite materials for the first time.

Shorts is banking on the development to provide around 600-700 jobs, expanding from an initial output of two aircraft a month when it comes into production in September. First deliveries of the aircraft, pending certification with the US aircraft authorities, will be in 1997.

UK NEWS DIGEST

US Lloyd's suit irks department

Sweeping legal action being pursued against Lloyd's of London by securities regulators in California last night provoked an angry reaction from the state's insurance department.

The clash came as the case against Lloyd's opened in a Los Angeles court. The Department of Corporations, California's securities regulator, is seeking a temporary order to stop Lloyd's drawing down on letters of credit provided by its lossmaking investors, or Names. It also wants to freeze $10bn held in trust on Lloyd's behalf in the US. Legal action by securities regulators spread yesterday to Missouri which accused Lloyd's of using money from US investors to cover massive insurance liabilities it had incurred.

The case bought in California has worried the state's insurance department because insurance companies licensed in the state rely heavily on the Lloyd's market. At least 15 such insurers would be "technically insolvent" if they could not rely on Lloyd's for reinsurance (protection against big losses), the department said. Mr Chuck Quackenbush, the state's elected insurance commissioner, recently arranged for Lloyd's to provide nearly $200m of reinsurance cover for the state's earthquake programme.

Mr Richard Wiebe, spokesman for Mr Quackenbush, said the insurance department had only learnt about the securities regulator's action in newspapers. No decision on what action it might take has been made but "we would certainly urge the department to consider the interests of California's policyholders," he said. Meanwhile, Citibank, which handles Lloyd's US trust funds, is understood to be attempting to have the California action transferred to a federal court.

Meanwhile, London-based commercial insurers yesterday took a radical step aimed at protecting the City's role as an international insurance centre. They agreed to allow access from elsewhere in Europe to electronic systems which are transforming the market. The move by the London Insurance and Reinsurance Market Association is intended to protect the City from insurance markets in Europe and Bermuda.

Ralph Atkins, Insurance Correspondent

Debt figures exceed criteria

Britain still fails to meet some of the criteria for European monetary union according to the latest update on government debt figures published yesterday.

The UK's general government financial deficit in the financial year 1994-95 was 6.5 per cent of gross domestic product (GDP), revised up from 6.1 per cent, the Central Statistical Office said. In the calendar year 1994 the general government financial deficit was 6.9 per cent of GDP, compared to 7.8 per cent in 1993. Both measures exceed the guidelines set out in the Maastricht criteria which require a deficit of 3 per cent of GDP or less. But the UK does meet the criteria for general debt levels of 60 per cent of GDP or less although the situation has worsened, the CSO's figures showed. *Graham Bowley*

Public sector jobs down 1.2%

The number of public sector employees fell by only 1.2 per cent (66,000) last year in spite of the government's hopes of reducing the size of the public sector labour force, according to official figures to be released today by the Central Statistical Office. There was a rise of 0.1 per cent (2,000) in local authority employment last year, the first annual increase since 1990. The numbers working for national health service trusts rose 8.5 per cent or 85,000 people and there was a small net growth in social services jobs. *Robert Taylor*

Marketmakers blamed for 'coup'

Mr Michael Lawrence, the former chief executive of the London Stock Exchange, said yesterday that only a small handful of marketmakers were behind the "coup" that led to his ousting in January. Mr Lawrence told the Commons Treasury committee that only BZW, the investment banking arm of Barclays Bank, and Merrill Lynch, the US broker that now controls Smith New Court, were firmly opposed to the introduction of an electronic order book alongside the Stock Exchange's traditional quote-driven system.

But hostility to order-driven trading was not the real dispute, Mr Lawrence said. "It was an issue of control... What was upsetting them was the fact that the management of the exchange was running the thing in a professional way," he told MPs. *George Graham*

Contracts

POWER: The National Grid Company has won an eight-month contract to design a high-voltage power line in the Bangkok area of Thailand.

HEALTH FOODS: Tyneside-based health and fitness equipment supplier Carlo Citrone Enterprises has won a £3.6m contract to market a safe food substitute for anabolic steroids. The company is to be the sole European distributor of MET-Rx, a food supplement drink mix made by MET-Rx USA of California.

TECHNOLOGY

Role of genes research

Innovation in human genetic technology is more dependent on basic research than in any other field, a joint US-UK study has found.

The Wellcome Trust's Unit for Policy Research in Science and Medicine (Prism) in London and CHI Research in New Jersey analysed all 1,105 US patents granted between 1988 and 1992 in the field of human molecular and cell technology.

They used patents to investigate the innovation process because patenting is a rigorous process, in which novelty and applicability must be proved, and because patent applications contain references to the previous research that contributed to the invention - known technically as "prior art".

An average patent in this field contained nine references to scientific papers, compared with five in drugs and medicine, three in agricultural chemicals and less than one in several other areas such as plastics, electrical equipment and scientific instruments. The vast majority (92 per cent) of references were to basic rather than applied research.

The main sources of funding for the research cited were government (US National Institutes of Health or UK Medical Research Council) and charities. Only 15 per cent of the "prior art" was supported by industry.

David Seemungal, one of the Prism study group, says there is an important conclusion for UK technology policy. "The results support the anecdotal evidence that the UK is strong in basic research but not good at exploiting it."

UK scientists produced 6.5 per cent of the papers cited on human genetics patents but the UK accounted for only 2.8 per cent of the patents themselves. Japan, in contrast, was responsible for 4.6 per cent of the research papers and 12.3 per cent of the patents.

A full report of the study will be published in the March edition of Technology Analysis & Strategic Management.

Clive Cookson

Sea Launch Co

Boeing's mobile satellite launch site – a converted oil drilling platform

Satellite scramble

Cutting launchpad costs will allow mid-sized companies to join the space race, writes **Victoria Griffith**

Until now, space satellites have been primarily the domain of governments and big telecommunications groups. But new technologies aimed at slicing costs may soon fuel the multimedia revolution by opening space to mid-sized companies hoping to beam signals back to earth.

A driving force behind tumbling costs is a US government initiative called the Evolved Expendable Launch Vehicle programme.

Four companies - McDonnell Douglas, Boeing, Lockheed Martin and Alliant Techsystems - are competing in the bid to provide satellite launch services. The Department of Defence will narrow the field to two by the end of the year and select the contract winner 15 months later.

"The new technologies being developed through the EELV have major implications for the commercial use of space," says Byron Callan, aerospace analyst at Merrill Lynch, the US securities house. "Satellite costs will probably be cut dramatically, meaning middle-market companies could take greater advantage of the multi-media pie."

No one knows how big an impact falling costs will have, but a recent Nasa study shows declines in price can be expected to boost substantially the private use of space.

One of the biggest and most stubborn cost components of satellite operation has been the launch. Whereas the price of satellites themselves has dropped dramatically in recent years, the cost of launch has stayed high.

Putting a satellite in space costs between $60m (£39m) and $300m today, depending on the size of the rocket and the target orbit. Some analysts predict a big decline in that pricetag – as much as 80 per cent – by the end of the century.

Besides slicing its own expenses, the US government is hoping the EELV programme will improve the country's position in the satellite launch business. The US has been losing ground in the sector since the 1980s. The European company, Arianespace, holds a 60 per cent market share, with the US, China, Russia and Ukraine splitting the rest.

"It's a question of, 'If you build it they will come'," says Chris Andrews, assistant for launch at the Pentagon. "We'll be happy just to cut down on our own expenses, but the side-effect could very well be that the US will get a bigger share of the satellite launch market."

Hughes Space, a leading customer in the market, says the new programme has encouraged the company to take a second look at US groups. "We have a backlog of 40 vehicles waiting to launch," says spokesman Emery Wilson, "so we're very interested in working with the American companies."

In spite of the ballooning demand for satellites, the launch market is crowded. By the beginning of the next century, analysts say, there may be only a few survivors left in the industry.

New cost-cutting technologies, therefore, are crucial to success, and companies are investing heavily to come up with novel strategies.

Lockheed Martin alone, for instance, is sinking more than $300m over several years into vehicle improvements. Location is key to a cheaper launch. Because some satellites are destined for polar orbits and others for equatorial orbits, proximity to the poles or the equator can make big difference to the final pricetag of a launch. Lockheed Martin, for instance, says it needs about 10 per cent more power to place a satellite in an equatorial orbit from its Florida base than it would from a base closer to the equator.

Boeing has come up with a novel approach to this dilemma. The company is refitting an old oil drilling platform as a mobile satellite launch site. Dubbed Sea Launch, the platform will be able to propel satellites into space from the most cost-effective location for the desired orbit. As an added advantage, the company can also avoid weather delays that hold back many launches.

"We'll just go where the skies are blue," says Patrick Enyeart, vice-president of Boeing Commercial Space Company.

Standardisation is a common theme among competitors for the EELV bid.

"If all the rockets have similar components for launch, we can take advantage of economies of scale and get a reasonable production line going," says Raymond Colladay, vice-president of business development at Lockheed Martin. The challenge is to get standard components to work equally well for different size vehicles.

Companies are making substantial use of automation to cut the numbers of people needed to get a vehicle off the ground. Boeing, for instance, will use robots and machines to 'stack' its rockets horizontally, then erect them. Alliant is relying on sophisticated digital technology to replace manual labour.

Lightweight materials will also play a role in a more affordable launch.

"We want to make the non-propellant parts as light as possible because it will take less power to get the satellite into orbit," says Richard Schwartz, chief executive of Alliant Techsystems.

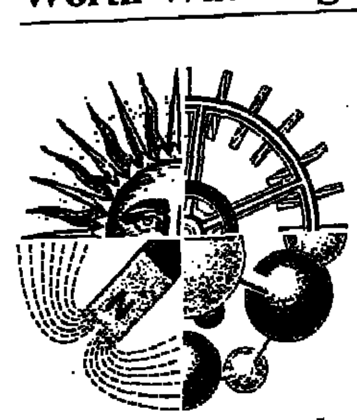
The ending of the cold war was a welcome break for the satellite launch groups. With cheap Russian and Ukrainian parts on the market, companies are hoping to shave the cost of components. Lockheed is using a Russian engine in its EELV project, and Boeing is tapping countries behind the former Iron Curtain for affordable parts.

No one yet knows just how cheap satellite launches can become. The EELV programme requires participants to reduce the price they charge the government for a launch by at least 25 per cent, compared with current prices, and aim for reductions of at least 50 per cent. Some analysts believe the final pricetag could go even lower. The more dramatic the cuts, the greater impact the new technologies will have on the commercial use of space.

"Satellites are likely to become a key element of the multimedia revolution," says Callan.

"Satellite dishes are sprouting up around the world – in Asia and Latin America now as well as in developed countries. The work that's being done now will help determine just how cheap access to space will be."

Worth Watching · Vanessa Houlder



Hand-held electrode in screening trial

A simple breast screening technique that could detect tumours in women of all ages is undergoing trials in hospitals in Israel, France, Italy and the US.

TransScan Research and Development, an Israeli-based company, believes the technique could improve the early detection of cancer when used in conjunction with mammography, an X-ray technique usually limited to women over 50.

TransSpectral Impedance Scanning uses a sensor to measure low-level electrical currents generated by an electrode held in the patient's hand. That allows the electrical impedance of the underlying breast tissue to be calculated and displayed on a monitor. Changes in the cell membrane structure and water content associated with cancerous tissue can be detected since they alter the electrical flow.

TransScan Research and Development: Israel, tel 6410080; fax 6546044.

Software saves time on the Internet

A UK company has developed software for "autonomous agents" that can save users having to browse through reams of irrelevant information on the Internet.

The AutoNomy software developed by Cambridge Neurodynamics can "learn" what a user wants from the Internet, and then search and retrieve it. The software, which uses the pattern recognition capability of neural networks, is capable of refining its search according to the user's response to the items that it has already selected.

The company has also developed "pre-trained" agents for frequent tasks, such as compiling personalised newspapers or ranking e-mail messages in priority order.

Cambridge Neurodynamics: UK, tel (0)1223 421107; fax (0)1223 421096.

Cleaning up after lead contamination

One of the world's biggest soil decontamination plants is about to start cleaning up a site adjacent to the main arena of the Olympic Games in Sydney.

The plant will treat soil contaminated by lead from a former paint factory. Decontamination will involve washing soil and sand, using separation methods developed to extract minerals from rock and oil in mining operations.

The three-year project uses plant supplied by Svedala, a Swedish equipment maker.

Svedala: Sweden, tel 224 57000; fax 224 16950.

Breakthrough for plant fertility

A Dutch agricultural research institute has isolated two genes which help regulate the fertilisation of plants.

One of the genes is responsible for the synthesis of a flower pigment that plays an important role in the growth of pollen tubes (the tubes that grow from the pollen grains to the ovule); the other is involved with the uptake of sugars by the pollen tube.

Scientists at the DLO Centre for Plant Breeding and Reproduction Research believe that the isolation of the genes will open up methods of promoting or preventing plant fertilisation.

DLO-NL: The Netherlands, tel 317474000; fax 317424060.

Placing your bets at the dinner table

Betting enthusiasts can now place bets using a hand-held terminal without stirring from the racecourse restaurant. The Horserace Totalisator Board has installed at its Wolverhampton course a number of mobile terminals, linked to a racecourse computer by radio signal.

The system uses the same technology as the Tote Direct betting shops which transmit bets into the Tote's central system at Wigan.

Horserace Totalisator Board: UK, tel (0)181 874 6411; fax (0)181 874 6107.

CONTRACTS & TENDERS

BRASIL GOVERNO FEDERAL

Eletrobrás
Centrais Elétricas Brasileiras SA

MINISTÉRIO DE MINAS E ENERGIA

COMPANHIA ABERTA CGC Nº 00001 180/0001-09

CONSULTING SERVICES FOR THE RESTRUCTURING OF THE BRAZILIAN ELECTRICAL SECTOR

ELETROBRÁS, the state-owned holding company for the Brazilian electrical energy sector, is initiating a bidding process for consulting services to assist the Brazilian Ministry of Mines and Energy in the "Restructuring of the Electrical Sector".

The consulting services are to be financed by the IBRD, subject, however, to the signing of an amendment to Loan 3376-BR.

The procurement process follows the guidelines for Limited International Bidding as established by the Bank.

The firms below were pre-selected to be invited to present tenders:

BOOZ ALLEN & HAMILTON Cleveland, Ohio - USA	**NATIONAL ECONOMIC RESEARCH ASSOCIATES** Washington D.C. - USA
COOPERS & LYBRAND London - UK	**PRICE WATERHOUSE** London - UK
ERNST & YOUNG Washington D.C. - USA	**PUTNAM, HAYES & BARTLETT** Washington D.C. - USA

The announcement of the pre-selected firms has the purpose of enabling International and Brazilian consulting firms to seek participation in the services, either by association or consortium with the aforementioned firms.

The broad scope and complexity of the services will require highly qualified personnel in the following areas:

International Experience:

- Restructuring of electrical energy sector, organization of electrical energy competitive markets attractive to private capitals, investment risk evaluation and spot markets.
- Electric energy industry economics, expansion costs, financing, pricing, different forms of commercialization and interchanges, pools, supply contracts and tariff models.
- Elaboration of regulatory systems, structuring and technical qualification of the Regulatory Entity. Utility evaluation systems.
- Electrical system engineering, expansion and operation planning of predominantly hydroelectric interconnected systems with thermal participation, optimization of generation, access to transmission and distribution systems and their respective tariff methodologies.

Brazilian Experience:

- Constitutional, commercial, tax, labor, corporate and administrative legislation, Brazilian Electrical Sector legislation with a clear perception of the ongoing changes in the electrical energy market.
- Brazilian electrical sector economics, expansion costs, financing, pricing, different forms of commercialization and interchanges, pools, supply contracts, utility cost structures and tariff systems practiced in Brazil.
- Electrical system engineering, systems and procedures in planning and operation of the Electrical Sector. Carrying out of generation and transmission projects and environmental aspects. Bidding organization and knowledge of hydroelectric inventories already performed.

Antonio José Imbassahy da Silva
President

Address: Av. Presidente Vargas, 642 - 10° andar - FAX (021) 233.3248
CEP: 20.079-900 - Rio de Janeiro - RJ - Brasil - Caixa Postal 1639

CONTRACTS & TENDERS

ÁPV RT.
HUNGARIAN PRIVATISATION AND STATE HOLDING COMPANY

Notice of tender

The Board of Directors of the Hungarian Privatisation and State Holding Company (the "Issuer") decided to sell the state owned shares of

Forum Hotel Rt.

The total nominal value of the offered shares is HUF 4,100 million representing 94.91% of the Company's voting equity and will be sold in a closed one-round tender procedure. Primarily startegic investors were invited to participate in the tender, and financial investors may submit a bid only jointly with a strategic investor providing the latter with majority ownership. The invited bidders may take over the Invitation for Tender and all tender documentation from the Issuer on 29th February, 1996. Deadline for submission of the bids is April 24th, 1996.

NOTICE OF EARLY REDEMPTION
GRACECHURCH MORTGAGE FINANCE PLC
(the "*Issuer*")
£175,000,000 Mortgage Backed Floating Rate Notes due 2019
(the "*Notes*")

NOTICE IS HEREBY GIVEN that pursuant to Condition 5(d) of the Terms and Conditions of the Notes (the "*Conditions*"), the Issuer will redeem all outstanding Notes at their Principal Amount Outstanding on 29 March 1996, being the next Interest Payment Date.

Payment will be made upon presentation and surrender of the Notes at the office of Barclays Bank PLC at 54 Lombard Street, London EC3P 3AH. Payment will be made by a pounds sterling cheque drawn on a town clearing branch of a bank in London or by transfer to a pounds sterling cheque drawn on a town clearing branch of a bank in London or by transfer to a pounds sterling account maintained by the payee with a bank in London.

Notes should be presented for payment together with all unmatured Coupons and Talons appertaining thereto.

All expressions defined in the Conditions shall have the same meaning when used in this Notice.

Gracechurch Mortgage Finance PLC
Dated: 29 February 1996

ARTS

Cinema/Nigel Andrews

Speedy trip through apocalyptic mayhem

How will the world end? According to the futuristic thriller *Strange Days* it could expire in a blaze of self-destructive hedonism at midnight on December 31 1999. By that point humanity will have experienced all that is worth experiencing and a rioting, drug-crazed Los Angeles – alias, as always in Hollywood films, the world – may explode in civil conflict. Our only hope is that the right hero (Ralph Fiennes) or heroine (Angela Bassett) gets to the scene in time.

Directed at breakneck speed by Kathryn Bigelow, this film breaks its own neck somewhere around the hundredth minute. The trouble with attempting to outpace or overleap the holes in an action-packed, probability-free script, written by *Terminator* creator and former Bigelow spouse James Cameron, is that you risk even deadlier stumbles in the process. *Strange Days*, as we expect from the director of *Blue Steel* and *Point Break*, is fast, furious and stylish: up to the point that it finally tumbles, realising like us that there is no real solid ground here, just crazy-paved paranoia.

Our anti-hero is Ralph Fiennes with an American accent. An ex-policeman turned salesman of bootleg Virtual Reality tapes – hardcore stuff filmed straight from the brains of, say, drug-takers or love-makers – his greasy locks and hyperkinetic manner go with an amiably pedantic dress sense. "This tie doesn't go with blue" he will snap at a crisis point. Whereupon he swaps neck-halters and charges out to confront his latest antagonist: the police, or the white ganglord (Michael Wincott) who has stolen his former girlfriend (Juliette Lewis), or the snuff directors who are giving VR a bad name, or the group of black rappers whom an escaped tape proves to have killed a leading black activist.

Fiennes's only ally, as he veers from vice towards virtue, is a black armoured-limousine driver played by the formidable Angela Bassett: an actress who looks as if she could knock any man out with one of her bare cheekbones. As the film moves towards its conspiracy-theory cataclysm – the L.A. police are as ever behind much of the trouble – Fiennes and Bassett become like moving blobs in a video game. All around them cars career, buildings blaze, sound effects go thud or screech and snuff murder victims act out their terror before wobbly, point-of-view cameras.

Swathes of this film, you could say, have been made before: 35 years ago by Michael Powell under the title *Peeping Tom* (voyeurism as grand guignol), 15 years ago as *Blade Runner* (inner-city holocaust as spectacle). Whenever it shakes off antecedents, though, the movie is passably original, not least in the tone of apocalyptic farce blended into the mayhem. After this, two things often said of women, that they cannot direct all-out action or all-out black comedy, need never be said again.

Maria Giese's *When Saturday Comes* and Josiane Balasko's *French Twist* are the week's second and third feature films directed by women, possibly a record in UK distribution history. Neither, though, presents as strong a case for positive discrimination as *Strange Days*.

STRANGE DAYS
Kathryn Bigelow

WHEN SATURDAY COMES
Maria Giese

FRENCH TWIST
Josiane Balasko

LA MADRE MUERTA
Juanma Bajo Ulloa

A BOY'S LIFE
ICA

Giese, a UCLA graduate, crossed the Atlantic to make her unbelievable farrago about life, soccer and machismo in the British north. Only a foreigner could have assembled such a panjandrum of clichés: the coalmining family out of Monty Python, the dialogue out of *Roy Of The Rovers*, the son (Sean Bean) whose reaction to a family tragedy down t'pit is to give up t'booze and become a football hero. Actors bravely trying to transcend the material (Bean, Emily Lloyd) jostle with actors sinking helplessly into it (John McEnery with ham oop-north accent and unconvincing baldness-tonsure as Dad).

The comedy *French Twist* stormed France under the title *Gazon Maudit*. Into the lives of beautiful Victoria Abril and her philandering husband Alain Chabat comes a swaggering, cigarillo-smoking female truck driver played by the film's writer-director Josiane Balasko. She seduces Abril, reduces Chabat to gibbering jealousy and ends up sowing hard-earned peace, understanding and moral tolerance through a hitherto uptight household.

Only the French could make an anti-bourgeois farce that is bourgeois to its marrow. Every joke is cumbrously telegraphed; every wisdom is wreathed in self-congratulation; and long before the end plausibility has fallen on its sword, though we have a nasty feeling that the contrived gay encounter at the close is setting us up for *Gazon Maudit Deux*.

★

The world finds adjustments for every social or sexual setback. No longer allowed to exchange bodily substances, we gawp at them pruriently on screen. Juanmo Bajo Ulloa's *Madre Muerta* is a Spanish murder thriller containing sex, bloodlettings and two graphic urination scenes, not to forget – though you may try to – the most gruellingly explicit nappy-change in film history.

But then the whole movie behaves like a Peeping Tom's charter. We spend much of it ogling the shackled distress of a mute mental patient (Ana Alvarez), who has been kidnapped by the man (Karra Elejalde) who once shot dead her father during a burglary. As a surviving witness, the girl must be spirited away from her mental asylum to a suburban-Gothic mansion where – according to the inviolable laws of Spanish cinema – every forlornly kinky thing imaginable must happen to the girl, the man and his lover (Lio).

Bunuel might have made a masterpiece. Signor Bajo Ulloa makes a mess that has moments. There are two clever suspense set-pieces, one involving an inspired directorial tease with a broken lightbulb. And there are hints of bleak wit in the dialogue: "This is the first day in ages that we haven't quarrelled. You should kidnap people more often," says the girlfriend. But the film runs out of variations before it has begun seriously to explore its theme. When three people are trapped in a criminal *ménage à trois*, we should surely believe in the psychology of the situation before we start playing games with its logistics.

★

At the ICA, *A Boy's Life* is a programme of three prize-winning shorts about gay life. The most highly-decorated is *Trevor*, which won an Oscar for its disingenuously deadpan comedy of teenage growing pains. The weakest is Raoul O'Connell's *A Friend Of Dorothy*, the adventures of a shy male wallflower in university. The best is Todd Haynes' *Dottie Gets Spanked*, in which the director of *Poison* composes a funny, venomed fable about parental intolerance.

A young boy, hooked on a Lucille Ball-style comedienne (the period TV pastiches are brilliant), is sternly discouraged by his father. Can sitcom divas make you a homosexual? Only if you encourage them, suggests Haynes, and mindless bigotry from our elders is one way of doing so.

Crazy-paved paranoia: Ralph Fiennes and Angela Bassett in 'Strange Days'

Ballet

Crime Fictions

With his new *Crime Fictions* – at Sadler's Well's this week – Kim Brandstrup returns to the question of dance-narrative which has so fascinated him in previous works. How to tell a story in movement, without the blankest literalism, is here cast as a tribute to the genre of *film noir*. The shadows and evasions, the uncertainties and tensions of such films as *The Big Sleep* and *Farewell My Lovely* provide the background for the action. Chandler-esque characters – The Patriarch and his new young wife, his sons and family; two servants – play out a murder mystery which we are shown through differing and highly subjective evidence.

The trick is a good one. The action is neatly dove-tailed. The camera-angles, the varied accounts of what happened, shift and interlock and fall to interlock in approved fashion. The undercurrent to the piece is, though, not only how the tale is told, but the moral implications of truth-telling and false accusation. In the first half of the piece we see a family under the dominant thumb of the Patriarch (Mark Ashman: very fine) whose murder is both crime and excuse for fiction – the fictions of the rest of the cast. In part two, we are shown the truth – if it is a truth – about the killing, and a thumpingly false accusation. The resolution of the piece is that the crime is not resolved: guilt hangs heavy in the air at curtain fall. The reasons for the murder are plain: the internal conflicts which might make each member of the cast guilty are no less clear in choreography which is fluent and sharp-edged in dynamics.

Brandstrup turns again to his favoured collaborators. There is admirable and admirably simple design by Craig Givens: a panorama of hills masked by Venetian blinds; costuming is less stylish than Hollywood precedent demands (the glamorous wife has a coat that should be mink and is hearth-rug – Claire Trevor would have put her foot down about *that*). Ian Dearden's score has the right shadows of menace. The artists of Brandstrup's Arc Dance troupe are very good, most notably Kenneth Tharp, whose final scene breaks the otherwise ultra-stylised manner of the choreography. Because the films that inspired the piece had an almost Noh-like formality – the actors moving along predestined paths, playing roles whose surprises were in convolutions of plot rather than of feeling – the raw emotion which Brandstrup gives Tharp, and which Tharp so brilliantly exposes, shifts the balance of the piece in its last scene. For a shocking moment, we face truth, not play-acting fiction. I suppose that this is Brandstrup's final trick in a clever piece. It is, thanks to Kenneth Tharp's interpretative power, also profoundly moving.

Clement Crisp

Arc Dance is at Sadler's Wells until March 2 with Crime Fictions. Then the company tours to Edinburgh, Oxford, Reading, Denmark, until the end of March. Sponsored by Daniel Katz and Marks and Spencer.

Post-modern drama at its lightest

Alastair Macaulay reviews new plays from the US in Nottingham and London

When American plays cross the Atlantic, they usually arrive in London, or maybe at the Edinburgh Festival. Congratulations, therefore, to the Nottingham Playhouse for giving Britain its first view of six short plays by the American playwright David Ives, *All in the Timing*, which enjoyed a sell-out run off-Broadway.

The Nottingham staging, by Hugh Woolridge, is excellent; it features the TV comedians Punt & Dennis; Francis O'Connor's designs are superb; one play, *Degas – C'est Moi*, is receiving its world premiere; and all six plays prove ingenious, funny, frequently inventive with dramatic form. The evening is post-modernism at its lightest, with humour arising from often serious thought on matters ontological, epistemological, linguistic. At several points, I wondered if Ives was not the cleverest playwright to have come along since the younger and more heartless Tom Stoppard.

He has a "What if . . .?" mind. In the first play, *Sure Thing*, a man starts to make conversation with a woman at a New York café, and the play is made up of the multiple ways their conversation could go, all save one of them disastrous, each wrong one stopped by a bell, like a round of boxing. Slick stuff, yet, as it proceeds, a sad point emerges: how ludicrously hard it is to find a soulmate in the sophisticated modern world.

The second play shows three chimpanzee-children in a schoolroom-laboratory bashing at typewriters: scientists are waiting to see if/when one of them will write *Hamlet*. The jokes here are funny at the time, but the sad central joke is simply about the extreme chanciness of artistic inspiration. *The Universal Language* is full of delicious light squibs in which the invention of a nonsense "universal" language brings two people together.

In *Degas – C'est Moi*, a young New York spends a day of his life "being" Degas, sometimes recognised, usually ignored. As the play ends, just after the hero has lost his belief in being Degas, something utterly Degas-like happens in his own home. *The Philadelphia* is about the alternate ways that the disappointments of everyday life hit you. And in *Variations on the Death of Trotsky* the bell device returns: Trotsky in Mexico, with an axe planted in his skull yesterday, is told by his wife that today, according to the encyclopaedia, is the day of his death. He is seen reacting in several different ways to the news (all of them funny).

The humour of the plays is accessible, the meanings none too obscure, but their sum total? Early on, Ives struck me as a true original; afterwards, however, he struck me as too like all those other post-mod wise-guys. I wanted a greater dash, amid Ives's *Encyclopaedia of the World in Six Plays*, of human poignance.

Still, the Nottingham Playhouse makes an excellent case for him. The American accents are good. Steve Punt and Hugh Dennis prove themselves versatile, skilful, endearing; and Debra Beaumont and Mabel Aitken are no less fine. Woolridge's direction gives everything a brisk New York pace and light, dry tone. O'Connor's basic set is itself beautiful, in a gorgeous deep twilight blue, with the figures from a clock-face deranged here and there in gold. Nothing about this play or its production is ever ponderous.

Meanwhile, another new American play, not dissimilar, is being given, also in a very good performance, in London at Riverside Studio 3. *Laughing Wild*, by Christopher Durang, is also light in tone, ironically light even about the psychological disturbance of its two characters – one female, one male.

It starts out as two one-person plays – each monologue a good 30 minutes long, and full of references to New York urban life today. Then it shows us different scenes for both characters together – including, very like Ives, several optional versions, only one of which has a happy ending.

Durang's writing is more psychological than Ives; he even overlaps the dream-lives of his two characters. The oxymoron of his title is soon apparent. The play's heroine, condemned to laugh wildly in personal torment and to find only dissatisfaction in sex and in human colloquy, could be Wagner's Kundry, updated and played for comedy. The hero, an uptight anxiety freak, is better yet.

As an exercise in virtuoso acting, *Laughing Wild* is terrific. The actor Henry Goodman directs his two South African compatriots Fiona Ramsay and Warren Kimmel. Impeccably they show you every bit of the psychological bizarrerie of these two New Yorkers; and at the same time they distance you from it. Your distance from them is what keeps the play interesting and funny; and it is, I suppose, Durang's true point.

These post-modern writers are far less heartless than they would have us suppose. In modern life, we keep our hearts under wraps; in *Laughing Wild*, the degree to which the man and the woman open their hearts makes them peculiar, absurd, ironic.

All in the Timing: Nottingham Playhouse until March 16. Laughing Wild: Riverside Studio 3 until March 17.

INTERNATIONAL ARTS GUIDE

■ ADELAIDE

EXHIBITION
Art Gallery of South Australia
Tel: 61-8-2077000
● Australian Decorative Arts: 1940s-1990s: the Art Gallery of South Australia's collection of decorative arts from the 1940s to the present day includes furniture, ceramics, glass, metalwork and jewellery; from Mar 1 to Jun 7.

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Philharmonisches Orchester des Staatstheaters Cottbus: conductor Reinhard Petersen and pianist Friedrich Höricke perform Liszt's Orpheus, Chopin's Piano Concerto No.1, and Haydn's Symphony No.104 in D (London); 8pm; Mar 2.
OPERA
Komische Oper Tel: 49-30-202600
● La Bohème: by Puccini. Conducted by Shao-Chia Lü and performed by the Komische Oper. Soloists include Ottenthal, Korovina, George, Mewes, Hellmich and Grabowski; 7.30pm; Mar 1.

■ BRUSSELS

CONCERT
Cirque Royal Tel: 32-2-2182015
● Michel Fugain: performance by the French singer; 8pm; Mar 1.

■ CAPE TOWN

JAZZ & BLUES
Nico Theatre Complex
Tel: 27-21-215470
● Maynard Ferguson and Bruce Cassidy: with the Big Bop Nouveau Band. Part of the International Jazz Festival; 8.30pm; Mar 2.

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Das Neue Orchester: with conductor Christoph Spering. Mendelssohn's Psalm 42, Op.42 and Mozart's Mass No.18 in C minor; 11am; Mar 3.

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Capriccio: by R. Strauss. Conducted by Christof Prick and performed by the Sächsische Staatsoper Dresden. 7.30pm; Mar 2.

■ GHENT

EXHIBITION
Museum voor Sierkunst
Tel: 32-9-2256676
● 1ste Triënnale voor Vormgeving in Vlaanderen: focusing on contemporary Flemish design; to Mar 3.

■ HELSINKI

DANCE
Opera House Tel: 358-0-403021
● Swan Lake: a choreography by Bourmeister after Petipa/Ivanov to music by Tchaikovsky, performed by the Helsinki Ballet; 7pm; Mar 2

■ HOUSTON

EXHIBITION
Museum of Fine Arts
Tel: 1-713-639-7300
● The Texas Collection of the Museum of Fine Arts, Houston: Texas Modern and Post-Modern: second exhibition in a series of two that offers an overview of the museum's collection of Texas art, featuring artists allied with more international and modernist movements; to Mar 3.

■ LEIPZIG

OPERA
Oper Leipzig Tel: 49-341-1261261
● Salome: by R. Strauss. Conducted by Seiffarth and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Nielsen, Silja, Markert, Halx, Protschka, Struckmann and Petzold; 7pm; Mar 2.

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Ralph Kirshbaum, Steven Isserlis, Peter Franklin and Juanita Lascarro: The programme includes works by Brahms, Falla, Debussy, Popper, Casals, Villa-Lobos and Mozart/Neary; 7.30pm; Mar 1.
● The Purcell Quartet: with soprano Catherine Bott and viola-player Jane Rogers perform Vivaldi's Laudate Pueri, In Furore Justissimae Irae, Al Santo Sepolcro, and variations on La Follia, Op.1 No.12; 7.30pm; Mar 2.
POP MUSIC
Royal Albert Hall
Tel: 44-171-5898212
● Eric Clapton: performance by the British guitarist/singer with an 11 piece band; This is the 10th year that Clapton has taken up his winter residency at the Royal Albert Hall; 7.30pm; to Mar 3

■ LOS ANGELES

CONCERT
Schoenberg Hall
Tel: 1-310-825-2101
● Menahem Pressler: recital by the pianist; 8pm; Mar 2.

■ MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100
● Orquesta Nacional de España: with conductor Theo Alcántara and violinist Victor Martín perform Balbos's Symphony No.1, Bernstein's Serenade, and Tchaikovsky's Symphony No.5; 7.30pm; Mar 1, 2, 3.

■ MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098625
● Münchner Philharmoniker: with conductor Lothar Zagrosek and pianist Elena Bashkirova perform works by R. Strauss, Beethoven and Bartók; 8pm; Mar 1, 2, 3.

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● International Hugo Wolf Academy: featuring soprano Benita Valente, mezzo-soprano Mitsuko Shirai, tenor Marcus Schäfer and bass-baritone Peter Lika in an all-Schumann programme. They will be joined by the Academy's director Hartmut Höll, as well as pianist Kathryn Goodson, viola-player Tabea Zimmermann and clarinettist Michael Collins. 2pm; Mar 3.
Carnegie Hall Tel: 1-212-247-7800
● Wiener Philharmoniker: with conductor Seiji Ozawa perform works by Mozart, Berg and Dvorák; 8pm; Mar 1.
EXHIBITION
Museum of American Folk Art
Tel: 1-212-595-9533
● Discovering Ellis Ruley: exhibition featuring the paintings of the African American artist Ellis Ruley (1882-1959). From Mar 2 to Apr 28.
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Madama Butterfly: by Puccini. Performed by the Metropolitan Opera; 8pm; Mar 1.

■ PARIS

CONCERT
Maison de Radio France
Tel: 33-1 42 30 22 22
● Orchestre National de France: with conductor Lawrence Foster and violinist Luc Héry perform Dutilleux's Métaboles, L'arbre des songes and Symphony No.2 (La Double); 8pm; Mar 3.
Théâtre de la Ville
Tel: 33-1 42 74 22 77
● Zhu Xiao-Mei: the pianist performs works by J.S. Bach and Schubert; 6pm; Mar 1.

■ SAN DIEGO

EXHIBITION
San Diego Museum of Art
Tel: 1-619-232-7931
● James Rosenquist: Time Dust, Complete Graphics 1962-1992: retrospective of the pop artist's 30-year career as a printmaker. More than 100 prints are displayed from Rosenquist's first, tiny 1962 etching to the largest and most complex print he ever made, the 35-foot-long, 82-colour extravaganza Time Dust; from Mar 2 to May 5.

■ VIENNA

OPERA
Wiener Staatsoper
Tel: 43-1-514442960
● Il Trovatore: by Verdi. Conducted by Stefan Soltesz and performed by the Wiener Staatsoper. Soloists include Agnes Baltsa, Kim Josephson and Giuseppe Giacomini; 7pm; Mar 2.

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Elizabeth Schulze and pianist Christopher O'Riley perform works by Blacher, Rachmaninov, Komaik, Still and Sibelius; 8.30pm; Mar 1, 2.

WORLD SERVICE
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FT Business Morning
10.00
European Money Wheel Nonstop live coverage until 14.00 of European business and the financial markets
17.30
Financial Times Business Tonight
Midnight
Financial Times Business Tonight

Samuel Brittan

German cloud cast on UK

The British slowdown still looks like a temporary stock adjustment, but economic difficulties elsewhere in the European Union are threatening prospects

The indicators published so far this year still suggest that the UK economic slowdown remains a stock adjustment rather than anything more fundamental.

Final demand has held up reasonably well. The latest estimate for non-oil real gross domestic product in the last quarter of 1995 is better than many expected. It shows an annual rate of increase of about 2 per cent per annum - only slightly below the Treasury's estimates of trend growth. It remains a good deal too low in view of the wide gap between actual and potential output. But it is well short of recession.

Moreover, the straws in the wind for 1996 are modestly reassuring. The Confederation of British Industry's Manufacturing Trends Inquiry for February shows an improvement or smaller deterioration in four of the five questions asked. Even the usually gloomy House Builders Federation reports "a positive start to the year" and a rise in site reservations.

Looking ahead, even a small spending effect from the cash windfalls en route to British households – for instance, from building society capital distributions and redemptions of Tax-Exempt Special Savings Accounts – will sustain consumer demand. Mainstream forecasters expect growth to return to slightly above trend rates of 2½ to 3 per cent in the second half of 1996 and in 1997.

This view is held even more emphatically by those analysts who keep an eye on the broad money supply – that is cash plus deposits. Broad money is growing fairly rapidly, not only in the UK but also in the USA and Japan, and recently even Germany. There are special factors which can explain rapid growth in each of them. But the common trend makes one wary. The fear is there will be a bad "re-entry". This means the present slowdown will be succeeded by an excessively rapid expansion spilling over into inflationary pressure in two or three years' time.

The experience of money supply targetting does not suggest that anything more than vigilance is required. Periods, such as the early 1980s in the UK, when rapid growth in broad money was accompanied by rapidly falling inflation and severe recession, show the folly of trying to follow monetary aggregates slavishly. On the other hand, the worldwide inflation of the 1970s and the UK inflationary shock of the late 1980s are a few examples of the folly of pushing money supply aside altogether.

A comparison by the European Commission for December shows the UK slowdown less marked than in other large European countries. Only Italy is doing better.

Not only has real growth slowed down in leading industrial nations - and may in one or two countries now be negative - but headline inflation is quite amazingly low. It is below 3 per cent in all the Group of Seven countries with the exception of Italy. In Germany, it is 1.5 per cent while Japan's prices are falling at 0.3 per cent a year.

If we put together slow real growth and very low inflation we see that nominal demand – total cash spending – is growing in most countries more slowly than the 5 per cent annual rate which most central bankers believe to be the safe non-inflationary speed. Policymakers have already responded with several cuts in short-term interest rates.

Many bond market watchers would stress the case for caution in further easing, in view of the worldwide increase in bond yields over the last two or three months.

The Bundesbank fears it would be counterproductive to push monetary relaxation to the point where it provokes still further increases in long-term yields. It emphasises that most German business and home-purchase borrowing takes place at a medium and long-term rates.

To which one can only respond: "up to a point". The expectations of people operating in the bond market should be taken seriously as they are putting their own fortunes at risk - but they are still only forecasts. If their fears are belied by continuing evidence of low inflation, their expectations will change too.

Without provoking a headlong confrontation with bond markets, central bankers can help to lead short-term and long-term interest rates lower if they quietly persist in relaxation.

They can do this so long as nominal demand is increasing too slowly, and they satisfy financial markets they will quickly switch into reverse if and when the evidence changes. This, of course, is easier where central banks are independently accountable.

* * *

In a fascinating article in The Times (February 22) Anatole Kaletsky argued that German bond yields are being adversely affected by a specific effect ahead of European economic and monetary union – namely fear of being repaid in less valuable euros instead of marks. The accompanying chart shows German bond yields indeed rose above American ones in 1995, but that the peak differential was last June rather than in recent months when the most acute Emu fears were expressed.

Nevertheless, there surely is an Emu effect, which is most clearly visible in a drift of German savings to Switzerland. German bonds have for some time yielded about 2 percentage points more than Swiss ones, but the differential has been extremely volatile. The clearest sign has been the low and falling level of the D-Mark against the Swiss franc. It is doubtful whether the Swiss economy can absorb the full force of a flight of German funk money. Sooner or later, any persistent and deep-seated weakening of confidence in the German currency is likely to have an effect on the D-Mark-dollar rate.

Some observers have expected a world currency realignment to come from a market realisation that the dollar is undervalued. But this is another belief that needs checking against the evidence. For as the chart shows, the real dollar exchange rate is only low against indices, such as the IMF one, which are based on a handful of industrial countries and leave out nations accounting for some 40 per cent of US trade. More broadly based indices, like the Dallas Federal Reserve Bank, show the real effective rate for the dollar has changed little since the 1987 Louvre Accord.

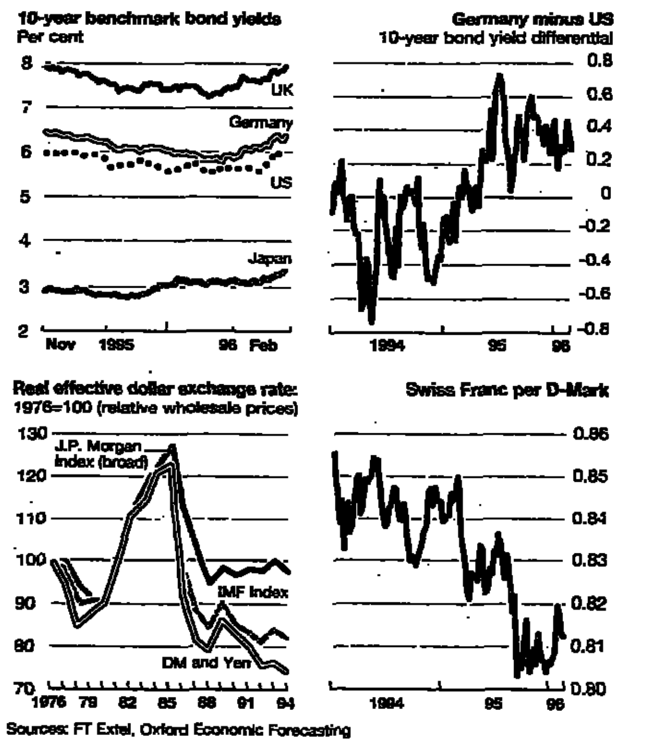
Any shakeout in the D-Mark-dollar rate is thus more likely to start from the side of the D-Mark. Such a loss of confidence in the currency would not be pleasant while it lasted but it still might furnish the shot in the arm the German economy needs and provide a breathing space to get on with more fundamental reform of the labour markets and the regulatory system.

The best way of getting rid of the Emu effect would be if one of the rumours of a secret agreement to merge the D-Mark and the French franc overnight proved correct.

A euro starting in this way would have the best possible send-off. And in any case, the reality would be seen by the markets to be less threatening than the current vague fears.

Alas, any such development remains a wistful dream. The reality is German leaders are not prepared either to jettison Emu or implement it overnight, but pledged to travel ploddingly along the Maastricht route. Meanwhile, we will have to muddle through.

Background to rising bond yields



Sources: FT Extel, Oxford Economic Forecasting

BOOK REVIEW · Anders Aslund

SOCIALISM, CAPITALISM, TRANSFORMATION:
By Leszek Balcerowicz
Central European University Press, 377pp, £37.50 (£14.99 paperback)

A shock therapist's radical prescription

Six years ago Poland was an eastern European basket case, suffering hyperinflation, defaulting on its international debts, and seemingly on the brink of starvation. Yet today, the Polish economy is the most dynamic in Europe (apart from Albania's) with a growth rate of 7 per cent a year. How could this economic wonder have happened?

The turning point was the "Balcerowicz programme", launched in January 1990 by Leszek Balcerowicz, minister of finance and deputy prime minister in the country's first non-socialist post-war government. Its author, a young Warsaw professor of economics, became known as the "father of shock therapy" as a result of the programme's immediate effects on the Polish economy.

In this book, Prof Balcerowicz brings together 17 academic articles that summarise his research on the process of radical economic transformation (as he prefers to describe his programme). It is an impressive volume which makes a convincing case for the post-communist transition to be as rapid as possible.

One reason for preferring a radical approach was the failure of many attempts to reform socialism. Since the socialist system was all-embracing, minor reforms were invariably reversed. Balcerowicz's early conclusion was that reform must be sufficiently far-reaching to break out of the socialist system.

Another reason was psychological. People find it easier to accept that a change is irreversible if it is radical. Slow reform brings the political danger of losing direction, ending in policy reversal.

When Balcerowicz was catapulted into power, his immediate concern was to control hyperinflation and deal with rampant shortages. He saw no choice but to end controls on nearly all prices, make the currency almost convertible, balance the budget and impose a strict monetary policy. Within a couple of weeks, the streets were full of goods; after two months inflation was under control – though it remained too high.

The programme ran into fierce opposition, as the economy contracted and unemployment mounted – but it returned Poland to economic growth in 1992, before other central European countries. Reformers in the former Soviet Union who adopted a more hesitant approach are still waiting for an upturn.

In hindsight, Polish economic performance looks much better. Gross domestic product appears to have fallen by between 5 per cent and 10 per cent in 1990 and 1991, less than anywhere else in the region. In Romania, which opted for gradual reform, GDP fell by more than 30 per cent after the collapse of communism.

The author emphasises the connections between elements of his reform package. When domestic prices were liberalised, foreign competition was needed to introduce competition swiftly, and that needed a high degree of currency convertibility early on. Lifting restrictions on private enterprises was also vital to create new domestic competition.

Many argue that privatisation of state enterprises should have been given priority. Balcerowicz agrees, but points out that privatisation takes time – and can be accelerated by fast liberalisation and financial stabilisation. When state enterprises ceased to receive government money, they were forced to sell or lease assets – creating new private enterprises. He regrets that Poland's plans for large-scale privatisation have yet to succeed, but other forms of private enterprise have developed.

Balcerowicz believes that institutional arrangements are important in reinforcing his programme. The Polish National Bank was independent from the outset and guaranteed monetary restraint. Introducing currency convertibility and pegging the exchange rate provided other checks on economic policies. A large private sector now secures the market economy against political reversals.

But one question that troubles Balcerowicz is the rejection of the Polish economic reformers in the 1993 parliamentary and 1995 presidential elections. He believes the main problem was the split in Solidarity, the anti-communist movement, when Lech Walesa insisted on running for president in 1990 against the wishes of the Solidarity government led by Tadeusz Mazowiecki.

Election campaigns during the early years of the transformation to capitalism encouraged demagogic attacks on the reforms. Although the national press largely supported the reform programme, television provided a powerful platform for the demagogues.

The problem was not the economic reforms, but the political process – and Balcerowicz admits that the reformers were poor at propaganda. They were not helped by the steady rise of unemployment during the two first years of reform.

One point that should concern western Europeans, however, is the conspicuous absence of the European Union from the Balcerowicz account – it is briefly mentioned twice. Although the EU provided early food aid, it was the US treasury and the International Monetary Fund which promoted the financial aid that underpinned Polish reforms.

The author is senior associate of the Carnegie Endowment for International Peace in Washington, and an economic adviser to the Ukrainian government

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Irony of characterisation of failed Fed nominee

From Mr Doug Henwood.

Sir, It has been amusing to watch the evolution of Michael Prowse's love affair with America, or at least the Friedrich Hayek and Herbert Spencer-quoting part of this strange country.

In his characterisation of the failed Federal Reserve nominee Mr Felix Rohatyn as "a passionate advocate of higher government spending" who makes the now-retired Alan Blinder look "moderate by comparison" ("Hat trick for Alan", February 26), Prowse utterly fell for the right-wing interpretation of Felix – one justified perhaps by a reading of his long, soporific "essays", but not by his record.

Let's review that record. Rohatyn cut his political teeth devising an austerity plan for New York City after its mid-1970s fiscal crisis, and he supervised the city's adherence to that plan for the better part of the next 20 years.

That austerity plan was quite clearly the model for a variety of such schemes applied around the world, from Mexico in 1982 to Washington DC, our bankrupt capital city, in 1995.

He also pioneered the reorganisation of supposedly democratic governments into entities run by and for their creditors.

As an investment banker, Rohatyn has done nothing but make deals on a grand scale. He sat by Harold Geneen's side in the 1960s as they jointly put together ITT.

He then served as matchmaker for GE and RCA, and countless other giant mergers of the last 20 years.

It is a measure of how far to the right American politics have moved that someone like Rohatyn – a paragon of Wall Street orthodoxy – should be perceived by both Senators and visiting British columnists as divisive and radical.

Doug Henwood,
editor,
Left Business Observer,
250 W 85 St,
New York NY 10024-3217,
US

No maturity in arms sales

From Mr John Otranto.

Sir, Your courage in questioning the maturity of Britain's democracy ("A mature democracy", February 16) deserves admiration. Indeed the question could be asked of each democratic government engaged in the $800bn global arms trade.

Clearly, any answer depends on the meaning of "mature". "Complete in natural growth; ripe; fully developed in mind and body" is inadequate to deal with the moral and ethical issues here. The philosophical concept behind "mature" involves control over satisfying immediate, base desires, and choosing elevated, more lasting goals over instant gratification. Developing will-control, including the process of discerning moral meaning and opting for higher values, is the essence of "maturation".

How can it be mature to promote weapons sales when the brutality and killing associated with the tools of war are immoral? When "defensive" can turn to "offensive", how can the sale of guns, bombs and war aircraft, for the satisfaction of profit, be considered other than morally bankrupt? Can there be any doubt that, before the world enjoys collective security, there must be global disarmament?

John Otranto,
Dammweg 3,
85655 Grosshelfendorf,
Germany

Cost of UK job creation can be modest

From Mr John Edmonds.

Sir, Pamela Meadows' Personal View (February 27) about the opportunities of reducing unemployment was encouraging. However, we should not overstate the cost of job creation.

Work by Roger Berry, Michael Kitson and Jonathan Michie for the Full Employment Forum shows 1m full time, well-paid jobs could be created at a net cost of less than 1.5 per cent of national income. A more modest plan for 500,000 25-hour week jobs in the public services would cost well under £2bn, according to research by Gerald Holtham and Ken Mayhew for the think tank, the Institute of Public Policy Research.

The cost of job creation is so modest because the cost of keeping people on the dole is so high – close to £10,000 for each unemployed claimant.

John Edmonds,
general-secretary,
GMB Union,
president, Full Employment Forum,
22-24 Worple Road,
London SW19 4DD, UK

Pretence of Bank interest rate forecasts

From Prof K.F. Wallis.

Sir, Mervyn King (Letters, February 27) says that it is not the Bank of England's job to publish an internally consistent forecast of the likely future course of interest rates and inflation, jointly. Rather, the Bank advises the chancellor of the exchequer on the likely consequences of leaving interest rates unchanged, and so only publishes a projection based on this assumption. But its Inflation Report then pretends that these projections are comparable with forecasts produced by other forecasters who are predicting both inflation and interest rates.

This is simply not true. And if the Bank won't produce a joint forecast of interest rates and inflation, maybe the chancellor should. As Sir Terence Burns put it in his South Bank Business School lecture last December, "predictability and stability both make for a higher reading on any 'feel good' index".

Finally, yes, the Bank's openness about the range of uncertainty surrounding its projections and its attempts to quantify this are welcome. All forecasters should publish such information – on how well they've done in the past, as the Treasury does, and how uncertain they are about the future.

K.F. Wallis,
professor of econometrics,
University of Warwick
Coventry CV4 7AL, UK

Poor alternative to central bank independence

From Mr Walter Grey.

Sir, If Dr Bimal Prodhan (Letters, February 17/18) supposed, contrary to the Maastricht treaty, that countries intent on sharing a "common" currency should "jettison the independence of central banks as an objective", then what, may one ask, is his preferred alternative?

Are, on the record, politicians to be better trusted to look after their country's true economic interest, and in particular keep its currency safe and sound, at all stages of the electoral cycle? And should, by much the same token, the independent judiciary too be given its marching orders?

A central bank's independence from political control in the discharge of its statutory duties does not, of course, exclude proper accountability to parliament for its performance, if its strategy of, say, permanently low inflation as a prerequisite of permanently positive growth is to carry the necessary conviction.

Walter Grey,
12 Arden Road,
Finchley,
London N3 3AN, UK

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday February 29 1996

A last chance for peace

It cannot be predicted with any confidence that the latest Anglo-Irish initiative will restore the recently-broken peace to Northern Ireland. The suspicion of most officials and ministers is that the IRA is one again set upon a long and bloody campaign of violence. But Mr John Major and Mr John Bruton, the UK and Irish prime ministers, were right to restore momentum to political negotiations.

In setting a firm date of June 10 for all-party negotiations, London and Dublin will arouse suspicions that they have given in to the terrorists who have twice bombed London in the last few weeks. It would have been more damaging, however, to have abandoned in the face of the IRA campaign the search for a new political settlement in the province. That would have handed to the IRA an effective veto over democracy.

The road to the proposed negotiations will not be smooth. The planned intensive talks on the shape of a new elected forum will throw up sharp differences not only between unionists and nationalists but also between the two unionist parties. Mr Major might have to decide unilaterally on the form of elections. That would leave one or other of the parties nursing serious resentments. Meanwhile the proposal of the mainly-Catholic SDLP for a simultaneous referendum has yet to be seriously debated.

As for Sinn Féin, the two governments have indicated that it will gain entry to the all-party talks only if the IRA restores its ceasefire. In the meantime its contacts with the British and Irish governments will remain restricted to official level.

Mr Major, however, has taken a considerable risk in accepting Mr Bruton's view that a new ceasefire should be the only precondition for Sinn Féin's entry into all-party negotiations. If the bombing stops, Mr Gerry Adams, the Sinn Féin president, is now required to give an unequivocal commitment to exclusively democratic politics only at the start of negotiations rather than in advance.

This is as far as any British government could have gone in seeking to bring the Republican movement back into a peace process. Many unionists will argue that it goes too far. But it does have the merit of removing once and for all any pretence on the part of Mr Adams that be is being unfairly excluded from the political process. There can be no more excuses for bombs. Sinn Féin has been presented with a totally transparent choice between politics and terrorism.

In that respect, this latest initiative represents what one Irish official termed the two governments' "best shot" in their efforts to prevent a return to violence, a last chance for peace. London and Dublin must be clear, however, that if the bombing does not stop, negotiations will go ahead without Sinn Féin. The message to the IRA is then that while it can exclude Republicans from the process it cannot prevent a new political settlement.

Oily mixture

The motivation behind the new joint venture which British Petroleum and Mobil announce today is not hard to spot. It offers – in principle – some respite from the ferociously competitive conditions of the fuel market. Yet the deal does not, on first analysis, appear to increase market power so much that competition concerns are aroused. The greater dangers to its success lie in implementation. There are successful precedents, but experience shows that such ventures can easily founder when partners spend too little time lubricating the inevitable points of friction.

The plan to merge the downstream operations of the two groups appears to be driven largely by the opportunity for cost cutting. The combination should dramatically streamline distribution and retailing, allowing trimming of costs along the chain. It is possible, too, that the deal could give the new venture more power to raise prices in some regions. However, it is hard to imagine, given the vigour of competition, that this would be extensive.

It also appears, on preliminary analysis, that overall market share does not arouse competition concerns. In the European market, industry estimates suggest the combination will have 12 per cent of the fuels market and 18 per cent of lubricants. In the UK retail market, estimates indicate it would have about a 16 per cent share, putting it after Exxon, which has about 19 per cent, and just ahead of Shell's 14.5 per cent. In the UK commercial market, it appears the venture would have just under 12 per cent, slightly ahead of Shell and Exxon.

The greatest uncertainty is simply whether the two partners have the will to overcome the inevitable strains of such a combination. There are precedents for long-lasting partnerships in the oil industry, particularly upstream: not least Aramco, the world's largest oil producer, which began life in the 1930s as the Arabian American Oil Company. The US's Caltex, itself a joint venture between Chevron and Texaco, last year formed Australian Petroleum by merging its own petroleum operations with those of Pioneer International.

However, the changing distribution of costs and profits within a longstanding partnership almost inevitably causes strains. Caltex last year pulled out of its 44-year joint venture with Nippon Oil, which was only marginally profitable even in good years. Caltex found itself shouldering much of the refining costs, while its partner retained full control over the more lucrative marketing end.

Such examples emphasise the incentive to co-operate in the oil industry; tough competition is the glue holding partnerships together. But once the immediate gains have been achieved, such combinations may prove an unstable mixture.

Mr Major in HK

This weekend's visit to Hong Kong by Mr John Major, UK prime minister, is well-timed. With just under 500 days to go, the colony is entering the final stage of preparations for its handover to China. Mr Major's visit should set the tone for this last phase of British rule.

The message he must take is that the UK cares as much about what happens to Hong Kong after 1997 as it does about engineering a smooth and dignified exit. That Britain will retain a duty of care towards Hong Kong after 1997 is written into its original agreement with China. This provided for meetings of the bilateral joint liaison group to continue until the end of the decade. Besides, as UK officials nowadays stress, British concern for Hong Kong is natural given its large investments there.

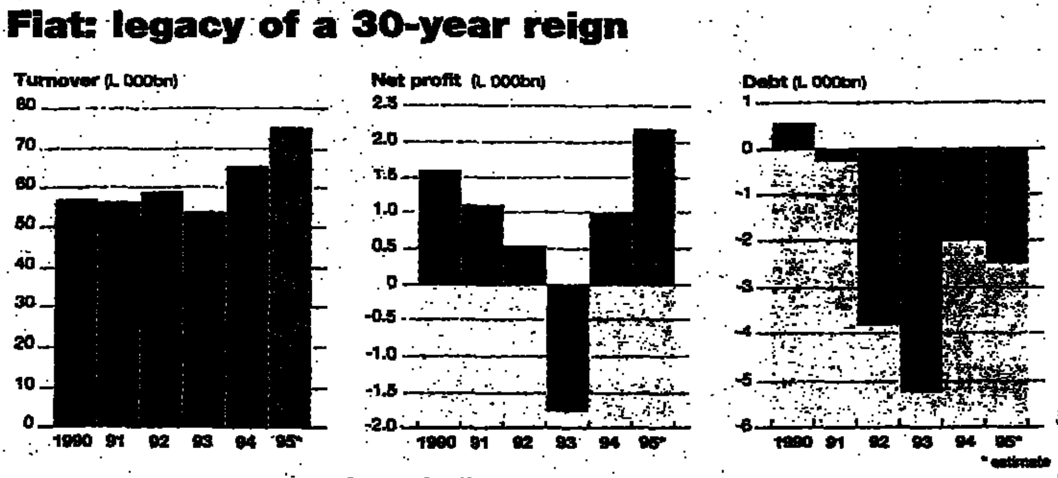
Mr Major could emphasise Britain's positive approach by announcing that the UK will grant visa-free access to holders of the special passports that China will issue to Hong Kong residents after 1997. The risks are small. The conditions under which the passports will be issued are relatively tight, so there is little scope for abuse by mainland Chinese. But if the UK insists on visas, Hong Kong may find it hard to get the new passport accepted by other countries. China would almost certainly impose visa requirements on visiting UK businessmen. That would be a bad start.

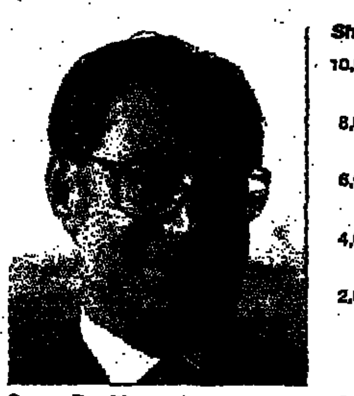
Mr Major could also take advantage of the Asia-Europe summit in Bangkok to secure a commitment from Vietnam to speed up repatriation of boat people. Such a pledge would please both China, which is insisting on the problem being dealt with before 1997, and the people of Hong Kong, who want to see the boat people move on. Were he to come with a deal on this as well as on visas, Mr Major would show definite proof of Britain's willingness to work constructively on 1997.

He could then permit himself some plain speaking on the constitutional issues. The UK is on delicate ground over China's plan to abolish the Legislative Council elected last year under Governor Chris Patten's democratic reforms. It must continue to oppose China's plan, but try to avoid a row which would undermine practical arrangements for the handover.

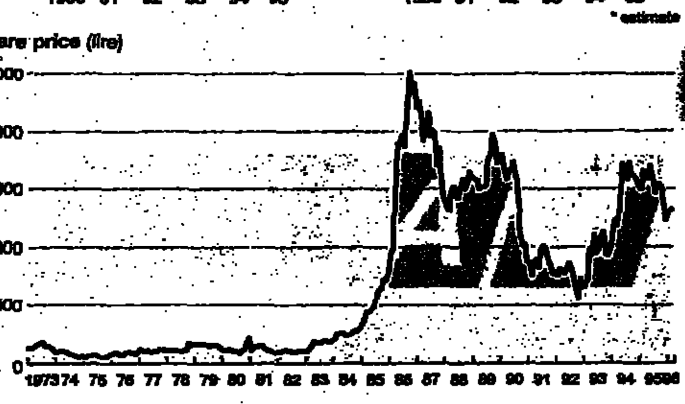
The best approach is to appeal to China's self-interest. Beijing, too, wants a successful handover, not least to promote its claim to Taiwan. But its hopes will almost certainly be dashed if it begins by unwinding existing legislation on human rights and dismantling LegCo. Britain cannot stop China from taking this course, but it can point to the price it will pay for abolishing an institution which is working effectively and enjoys popular support. Mr Major should make the risks clear, both privately in his meeting with Chinese Prime Minister Li Peng in Bangkok tonight and publicly when he arrives in Hong Kong.

Fiat: legacy of a 30-year reign





Cesare Romiti



Sources: FT Extel, Company accounts

Giovan

A big wheel but not yet global

The departure of Giovanni Agnelli leaves Fiat still short of its ambition to be in the top league of carmakers, writes **Robert Graham**

At an emotional board meeting at Fiat's headquarters in Turin yesterday, Mr Giovanni Agnelli stepped down from the chairmanship after 30 years at the helm of Italy's largest private group.

It is only the fourth change of chairman in the 97 years of the automotive group's existence, a stability that has helped Fiat to survive political upheavals, economic crises and business downturns. The hand-over comes with the group back in profit after two tough years and with a 13 per cent share of the European car market on the back of three successful new models.

But the core business of cars and trucks faces ever tougher competition and Fiat has yet to demonstrate it can be one of the global carmakers. In the only farewell interview Mr Agnelli has given to an Italian newspaper, he only had one regret. "My greatest disappointment was not to be able to create a big automotive group in Europe."

His links with the company began in 1943 when he served an apprenticeship at its Turin plant. When he took up the reins as chairman in 1966, he inherited a highly profitable company.

In the mid-1970s, he began a successful partnership with Mr Cesare Romiti, who succeeds him as chairman for the next three years. Mr Romiti assumed the role of the tough manager willing to take on the unions and keep line management in shape. This enabled Mr Agnelli to deal with broader strategy, worry about the world car industry, open international doors and – when necessary – prod the Italian government of the day.

"I have never felt a subordinate to the 'boss' Agnelli but always on the same level," Mr Romiti commented recently. "With L'avvocato [the lawyer, the nickname by which Agnelli is generally known] there has been a perfect equilibrium."

Since Mr Agnelli was the senior member of the family that was the main shareholder in Fiat, the partnership was able to act without fearing reversal by the board or other shareholders. This was especially important when worker militancy led to near anarchy in Fiat's Turin factories in the late 1970s; or when in 1993 the group had to raise L5,000bn ($3.2bn) and trim costs to meet a downturn in the car market.

Mr Agnelli, with his affable style and clear authority, personified Fiat in a way unique in international business. Thirty years at the head of a heavily diversified group with output equivalent to 4 per cent of gross domestic product and 240,000 employees has converted him into the spokesman for Italian business. He is widely referred to as "the uncrowned king of Italy".

Mr Agnelli has made no secret of his desire to step down, especially after a heart by-pass operation last year. But the timing of his retirement announcement last December – with Mr Romiti's move to the chairmanship – caught everyone by surprise, not least many within Fiat. The timing appeared linked to continuing investigations into alleged corruption in the group and its subsidiaries as part of the magistracy's anti-corruption drive since 1992. Fiat, like all major Italian groups, has found itself involved in the corruption scandals that have engulfed Italian industry and politics since 1992.

At first company policy was to deny any involvement, but in 1993 Mr Agnelli publicly admitted that Fiat had paid bribes to politicians over a decade. There was no suggestion he was directly involved and he is one of the few leading businessmen not to have been implicated.

Mr Romiti is under investigation for allegedly running a set of parallel accounts and making illicit payments to political parties. Fiat watchers say Mr Agnelli's departure and Mr Romiti's promotion was a way of demonstrating the family's confidence in the managing director. However, his period as chairman will be an interregnum, with obligatory retirement in three years. During this time, he and the Agnelli family will have to resolve a number of key issues.

One is the relationship between the ownership of Fiat and management. Fiat has four main shareholders in addition to the Agnelli family: Alcatel, the French industrial group; Mediobanca, the powerful Milan merchant bank; Generali, the insurance group; and Deutsche Bank. For any major decision, the Agnellis must have the backing of two of the four syndicate members – which they have always secured.

However, the family appears determined to increase its holdings and is ready to buy the 2 per cent stake which Alcatel wants to sell. Strengthening the family hold on such a large group is unlikely to appeal to other investors unless it becomes more open in its dealings.

A second issue is the shape of Fiat and the extent to which it should concentrate on the automotive business. The group's activities span aviation, chemicals, construction, defence, insurance, railway rolling stock and publishing. Contrary to a worldwide trend towards focusing on a limited range of products, Fiat still prefers diversity. The sole attempt at rationalisation was last year's plan to hive off its chemical and bio-engineering interests into Super-Gemina, a new group to be formed with Ferruzzi-Montedison. However, this came to grief after shareholder criticism and the revelation of unexpected losses in one of the companies to be merged.

The third issue is that of alliances in the motor business. Fiat has been involved in talks with several carmakers from other countries and there have been persistent rumours about a marriage with Renault, of France. But Mr Romiti appears to favour co-operation with foreign partners on specific projects, such as the new engine being developed with Renault, rather than merger or cross shareholdings.

Linked to future alliances is Fiat's global presence as a car producer. Fiat has traditionally rooted the bulk of its production within Italy and has been slow to locate overseas with the exception of South America. In the past five years it has established a solid presence in Poland with a view to capturing a share of the eastern European market and it lays much store on the "global" car, called the palio, to be produced in emerging markets such as Mexico and the Far East.

But it is not clear whether Fiat has the resources or the courage to begin thinking of heavy new investments when it is just recovering from the huge effort of pulling out of the 1993 trough.

Ultimately Fiat faces the challenge of being less Italian and more international. But after Mr Agnelli's 30 years at the helm, it remains a Turin-based company, recruiting largely from within. If Fiat is to become a global carmaker, the new generation at the top will have to resolve some of these questions.

Managers for an interregnum

The key figure in the new Fiat management that took control yesterday is Mr Paolo Cantarella.

Having proved himself an effective overlord of Fiat's car division, which accounts for half of group turnover, he has been promoted to chief executive officer.

He will have broad responsibility for the co-ordination of all the divisions, and will also have a hand in strategy.

The 52-year-old Mr Cantarella is an engineer by training and has always been interested in the technical side of the motor business since joining Fiat in 1977. He will be reporting to Mr Cesare Romiti, whose role as chairman is unlikely to be as detached as that of the departing Mr Giovanni Agnelli. Mr Romiti, having been a hands-on chief executive, is likely to retain a close interest in management. His mandate lasts until 1999, giving him time to shape policies for the next century and prepare for the next generation of Agnellis.

Fiat indicated yesterday that it would not be replacing Mr Giorgio Garuzzo, who resigned this week as the number three at Fiat.

When it came to promotion, he was passed over in favour of Mr Cantarella and left with some bitterness, feeling that Mr Romiti had been given the credit for much of his own work.

In contrast, Mr Cantarella had a good working relationship with Mr Romiti, who attributes to him the success of the new Bravo and Brava models and a revamping of the Alfa Romeo marque.

Already being groomed for high office is Giovanni Alberto Agnelli, the 31-year-old son of Umberto, Giovanni Agnelli's younger brother. The US-educated Giovanni Alberto is on the Fiat board but is currently chief executive at Piaggio, the motor-cycle producer, where he is reported to have impressed his peers.

In theory, the next three years of Mr Romiti's interregnum would give him time to work himself into Fiat to assume the leadership in 2000. Mr Romiti is only the second non-family member to be chairman since Fiat was founded.

Another important new top manager is Mr Roberto Testore, who takes over responsibility for the cars division, Fiat Auto.

· O B S E R V E R ·

No laughing matter

■ So who said German humour was an oxymoron? At a lunch hosted by the Deutsche Börse in London yesterday, German financial types were trading jokes like hot stocks.

Frederick Hopson, a board member of Germany's Landesbank Hessen-Thüringen, told the one about the Frenchman, German and Englishman all condemned to die. Asked for their last wishes, the Frenchman wants a meal, the German to make one last speech and the Brit to be executed before the German speaks.

Hopson, who had been invited to extol the virtues of the exchange's electronic derivatives trading system, certainly had the last laugh. He not only professed his preference for open-outcry dealing, as practised by arch rival Liffe in London, but also predicted that London would become *the* offshore centre for trading in Europe. He may have upset his hosts – but at least he's backed his judgment by moving in to a four storey house on Regent's Park.

Short-changed

■ "Senior European financial directors say No to the European Union and a single currency" trumpets a study published yesterday by a British-based outfit called Hyperion Consultancy.

But, before the UK's Eurosceptics get too excited, they had better read the survey – a few pages into which it emerges that almost half of the finance directors involved were actually neutral about a single currency. Nearly a third thought it would be good for business.

So was this a typing slip? Not quite, says Hyperion. In fact, most UK respondents had been lukewarm about a single currency. However, the rest of Europe had been broadly positive – a fact that did not quite come across in the eye-catching headline.

"Maybe we have not been totally clear", murmurs Richard Hawksworth, Hyperion's marketing manager. Some European politicians might draw a rather more damning conclusion.

Skulduggery

■ So Chief Nicholas Gcaleka, a South African witch doctor, is finally flying home with the long lost skull of his great, great uncle, King Hintsa, which he found in the Scottish Highlands. Is this really the skull of the last Xhosa monarch, or one of the great hoaxes of the decade?

King Hintsa was killed by a British soldier during the colonial wars in the Eastern Cape 160 years ago and his head was said to have been taken back to Britain as a souvenir by members of the 72nd Regiment, then based at Fort George, Inverness. Gcaleka says he retrieved the skull from a remote cottage north of Inverness, and the British media has given him a sympathetic hearing.

However, back home in South Africa, the chief's trip to Britain has been treated with some suspicion. Amos Philip, chairman of the Eastern Cape Traditional Medical Practitioners' Association, says that there is "something fishy about all this skull-hunting".

"First Gcaleka said that the skull was at an army base, then in a forest, and now it has been found in an outbuilding" says Philip. Sounds like Gcaleka might have to take a lie detector test.

Do you read me?

■ South Carolina-based Air South has written to Tampa International Airport to say it was "reorienting its structure to meet an updated hub bypass business plan strategy now being implemented." Ending flights to Tampa, in other words.

Chatter boxes

■ The Europe/Asia summit which opens in Bangkok today is excellent news for interpreters. A veritable Tower of Babel is promised, with 17 languages to cater for – far more than even the United Nations is prepared to tolerate. It is bringing work to 90 translators.

The product of their efforts will not, however, be exactly simultaneous. Under tortuously elaborate arrangements, European interpreters will share the load with their Asian colleagues. Thus when, for example, Vietnam's prime minister Vo Van Kiet is pontificating in Vietnamese, his words will be translated first into English by an Asian interpreter and only then into European languages like Finnish, and Portuguese. Plenty of scope for misunderstandings in that. Even the harassed officials who set up the deal admit there may be a "slight delay" in getting the message across.

Meanwhile, the Thai government, which is hosting the meeting, has had to hire 17 additional interpreters' booths from Brahler, a German company, to equip the interpreters. The cost for just one and a half days is apparently a princely $250,000. Doubtless Brahler knows in which language to deliver its invoice.

Sensational work

■ There seems no end to the inventiveness of the men in white (lab) coats. Swiss pharma giant Ciba-Geigy and Isis Pharmaceuticals of California are very proud about their new way of discovering drugs. It is called "antisense" technology.

The Financial Times

100 years ago

The United States and Spain
Washington:- The meeting of the Senate Committee on Foreign Relations resulted in more vigorous action concerning Cuba being decided upon than was expected. The Committee determined, after a debate, not to accept the resolution put forward by the House of Representatives' Committee on Foreign Affairs, but to adopt a stronger one in its place: "Resolved, that in the opinion of Congress a condition of war exists between the Government of Spain and the Government proclaimed some time since and maintained by force of arms by the people of Cuba, and that the United States of America should maintain neutrality between the contending powers."

Delayed certificates
Letter to the Editor:- I think the name of Randfontein should be added to your list of companies withholding certificates from shareholders of many months' standing. It appears to me that when there is active dealing in the shares of a company, the transfer fees must amount to a considerable sum, and the question arises whether the receipt of a transfer fee does not entail an obligation of the company to carry the transaction through to its final stage, namely the issuing of the certificate.

FINANCIAL TIMES
Thursday February 29 1996

Surprise Arizona victory deals blow to Dole

Republican race is wide open after Forbes win

By Patti Waldmeir in Washington

The campaign for the Republican party's presidential nomination has been blown wide open by the surprise victory of Mr Steve Forbes, the millionaire publisher, in Tuesday's Arizona primary.

The result dealt a further blow to the campaign of Senator Bob Dole, the Senate majority leader, who ran second to Mr Forbes in Arizona, although he managed wins in lesser primaries in North and South Dakota. Mr Dole said victory in the next state vote, South Carolina on Saturday, was essential for the future of his candidacy.

Mr Forbes, who had made Arizona the centrepiece of his campaign, won the winner-takes-all poll with 33 per cent of the vote of registered Republicans. Mr Dole gained 30 per cent and Mr Pat Buchanan, the conservative commentator who drew enthusiastic crowds in the state, polled third with 27 per cent. Mr Lamar Alexander, former Tennessee governor, finished a distant fourth with 7 per cent.

Exit polls showed Arizona voters preferred Mr Forbes for his proposal to introduce a flat-rate income tax, with many moderates choosing him over Mr Dole. Mr Buchanan's protectionist and isolationist policies were rejected by many voters, who said he was too extreme to be president.

In North Dakota, in Mr Dole's native Midwest, he won with 42 per cent of the vote, well ahead of Mr Forbes, who came second, and Mr Buchanan. In South Dakota, Mr Dole won with 45 per cent of the vote, trailed by Mr Buchanan in second place and Mr Forbes. Mr Alexander polled only single figures in both states.

Mr Dole could scarcely contain his annoyance at Mr Forbes's strong showing in Arizona. "The guy's trying to buy the election," he said.

An obviously deflated Mr Buchanan, noting that Mr Forbes had spent $4m on television advertising in the state to win 111,000 votes, complained: "Clearly our momentum is not enough to overcome $40 a vote."

The Arizona result has made the race, once considered an easy ride for Mr Dole, more unpredictable as it enters a period of extraordinary intensity, with 22 states voting before the end of March. Mr Dole, Mr Buchanan, Mr Forbes and Mr Alexander can all credibly claim they have a chance at the nomination.

Voter support, as reflected by opinion polls, has shown high volatility. Mr Forbes shot to prominence before the Iowa caucus, sank to obscurity after it and has now regained his footing. Mr Buchanan soared on the back of a strong Iowa showing to win the primary in New Hampshire, only to sink again on the basis of his third place finish in Arizona.

Mr Alexander, once viewed as the main moderate challenger to Mr Dole, has temporarily faded from view after his poor fourth in Arizona.

After Arizona, Mr Forbes can again claim first place in terms of campaign momentum. But it is unclear whether he can maintain that momentum in the south.

No star is born, Page 6

Russia to put lower priority on state sell-offs

By John Thornhill in Moscow

Privatisation is to have a lower priority in Russia, the government indicated yesterday, raising the possibility there may be no sell-off programme this year.

Mr Alexander Kazakov, who became head of Russia's state property committee late last year, said his chief challenges were to develop stock market infrastructure, enforce shareholder rights and manage state property more effectively.

"The strategic policy of privatisation has not been abolished but privatisation will no longer be a priority of the committee as it was for my predecessors," he said.

Mr Kazakov's comments sit oddly with commitments the Russian government made last week to press ahead with privatisation in its agreement with the International Monetary Fund on a $10.2bn loan. They also raise questions about the government's ability to finance its budget deficit this year.

Senior western economists in Moscow last night expressed surprise at Mr Kazakov's statements. "I do not know whether his views were for political consumption or whether you should interpret them as a fundamental shift," said one.

In Moscow last week Mr Michel Camdessus, IMF managing director, stressed that continuing progress on privatising state assets was an important part of the reform programme agreed with Moscow. The programme ruled out any "backtracking in this domain", he said.

Mr Kazakov said the government would learn lessons from its "shares-for-loans" privatisation programme, which provoked a storm of controversy last year, and hinted that some of these deals might even be reversed.

He said it was "inexpedient" to continue privatising companies by transferring state shareholdings to a clique of banks in return for loans. The government would try to sell companies on a more considered case-by-case basis.

Mr Kazakov was closely involved with Russia's original mass privatisation programme, which was spearheaded by the state property committee, and his appointment was viewed as a sop to the government's reformist wing.

Financial analysts said it would make tactical sense for the government to delay big major privatisations until after June's presidential election as asset prices remain depressed.

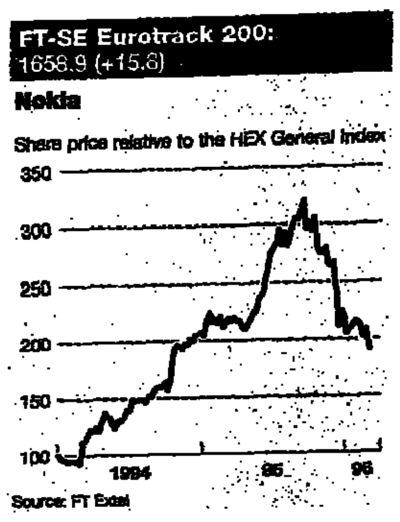
But the government will remain under pressure to raise money from privatisation sales later this year. The 1996 federal budget includes privatisation receipts of about Rbs12,400bn ($2.58bn), or almost 4 per cent of total budget revenues.

THE LEX COLUMN

Liquid engineering

While others talk, British Petroleum and Mobil are grasping nettles. Unlike most of their competitors, both oil groups have already been aggressive in rationalising their European refinery operations. But over-capacity in refining is not the only explanation for depressed "downstream" returns in Europe: as the recent results season showed, there is growing competition in selling petrol too. By putting their downstream operations together, BP and Mobil should be able to limit the damage by cutting costs and strengthening brands. They are unlikely to have enough market share to influence prices much. But where the companies are operating parallel distribution networks, the scope for savings should be substantial – comfortably enough to deliver the targeted 10-15 per cent cut in the businesses' operating cost bases.

Of course, the deal is not likely to be snag-free. Putting the operations together under the direction of a single company – BP for petrol stations, refining and fuel sales; Mobil for lubricants – is likely to be a testing management project, especially since the companies' assets will remain legally their own. In the worst scenario, it could all end in tears. Moreover the combined businesses will not have a market share substantially ahead of their biggest competitors – which means the new economies of scale will not, by themselves, give BP or Mobil a competitive edge over their peers. What might is imaginative management. If anything is evidence of that, this deal is.



Nokia

Two profits warnings in two months is not what one expects from a growth business. It is no wonder then that shares in Nokia dropped 7 per cent yesterday after the Finnish mobile phones manufacturer warned of a significant profits shortfall in the first half of this year. The share price has now fallen by more than 50 per cent since September.

As it happens, the 1995 results were actually quite good, with a 40 per cent advance in sales producing a 31 per cent jump in earnings. Moreover, Nokia's decision to pull out of its ailing television business is laudable and contrasts with the lingering death Philips is inflicting on its Grundig subsidiary in Germany.

But prospects for the core mobile phone business are worrying. The group sold nearly twice as many handsets in 1995 as in 1994, but revenues increased only 50 per cent. Even allowing for a currency impact worth 18 percentage points, that suggests handset prices fell substantially. This cannot all be down to fierce competition in the US market for analogue handsets, since these make up less than a tenth of Nokia's sales. Instead, it looks as if price competition is spreading to digital handsets in Europe.

On top of that, the group has encountered production and supply problems. Though the infrastructure business, which makes phone base stations, is performing well, group profits could drop by 5-10 per cent this year. Even on a rating of just 10 times earnings, Nokia has little appeal at the moment.

Orange

Orange has had to scale back its optimistic flotation plans. Last month, the UK mobile phone group was shooting for a market capitalisation of £2.8bn ($4.3bn). The new range of £2.2bn-£2.4bn – equivalent to an "enterprise value" of £2.7bn-£2.9bn once debt is added – is more realistic. But it is still not a compelling investment proposition.

The best way to see this is to compare Orange with Vodafone, its only quoted UK rival. At first glance, Vodafone's enterprise value of £7.5bn makes Orange look cheap. But this ignores the fact that Vodafone contains two businesses – a UK business that competes directly with Orange, and an international business. Analysts think about £5bn of Vodafone's enterprise value relates to "Vodafone UK", with the remaining £2.5bn accounted for by "Vodafone International". Orange is expensive by comparison with both.

Vodafone UK is much more established: it makes nearly £500m in operating profits a year, while Orange may not make a profit until 1998. In the circumstances, Orange's enterprise value should probably not be more than half Vodafone UK's – or £2.5bn. Even Vodafone International is slightly more established than Orange. Moreover, given that it covers the same population as Orange but its markets are less competitive than the UK, it would be unreasonable to value Orange at a higher level – again £2.5bn. Of course, it is possible that Vodafone is undervalued. But if investors believe that, they should buy Vodafone not Orange. Oranges are not the only fruit.

Paribas

Mr André Lévy-Lang, Paribas' chairman, has a great deal to prove. Yesterday's losses stemmed mainly from provisions of FFr5.5bn (convert) – a clear-out which cannot be criticised. But it is only three years since Paribas went through a similar exercise. And since Mr Lévy-Lang took over in 1990, the shares have underperformed the market by over 50 per cent.

One of the biggest problems is that Paribas is weighed down by a ragbag of under-performing stakes in businesses like Navigation Mixte, a basket-case holding company. Rather late in the day, Mr Levy-Lang is talking of getting rid of some of these – he plans to raise FFr15bn ($2.96bn) through disposals.

But yesterday's bid for the rest of Navigation suggests Paribas' old empire-building habits may not yet be dead. The charitable interpretation is that it wants to accelerate the process of sorting Navigation out. But since Paribas in effect controls the company anyway, this seems unlikely. More likely, it is trying to stop others getting their hands on Navigation's big holding in Paribas.

Navigation's minority shareholders are likely to take a dim view of all this: Paribas has obtained control without paying a bid premium, and is offering well below most estimates of Navigation's worth. On the other hand, these estimates may be over-optimistic. The fact that Allianz has just sold its big stake certainly suggests so.

Additional Lex comment on Standard Chartered, Page 18

Date set for all-party Ulster talks

Continued from Page 1

recent bombings in London, Mr David Wilshire, vice-chairman of the Tory backbench Northern Ireland committee, described the proposals as "another Munich".

UK ministers, he said, had surrendered the principle that paramilitary arms decommissioning should begin in parallel with the talks. "I see this as capitulation and appeasement," he said.

In parliament Mr Major rejected any suggestion that the government was selling out. "It is perfectly true that I could stay in a trench and set up 100 good reasons for doing nothing," he said. "Were I to do that, my successors would still be standing here in 50 years time in the same trench."

There was a sceptical reaction from Mr David Trimble, leader of Northern Ireland's biggest party, the Ulster Unionists. He said he would be unable to sit down in the same room as Sinn Féin until it had accepted the Mitchell recommendations and the IRA had begun to address the question of decommissioning.

The two governments made their commitment to a firm start date for talks following strong representations from Mr John Hume, leader of the SDLP, that such a move would persuade the IRA to renew the ceasefire.

Mr Gerry Adams, Sinn Féin's leader, gave only a cautious welcome to the proposals. "Many will remain sceptical of this commitment in the context of British bad faith and stalling," he said.

Japanese bankers urged to quit over housing loan groups

By Gerard Baker in Tokyo

The Japanese government yesterday raised the prospect of a mass resignation by top executives at Japan's leading banks when it urged them to take greater responsibility for their role in the collapse of the country's bankrupt housing loan companies or *jusen*.

At a meeting with the leaders of some of the largest lenders, Mr Tadashi Ogawa, the most senior official at the finance ministry, suggested managements of the banks that had founded the housing loan companies should reflect on their responsibility and act accordingly. Ministry officials confirmed the subtle phraseology usually meant resignation.

But bankers seemed reluctant to comply with the request. Mr Toru Hashimoto, president of Fuji Bank and chairman of the Federation of Bankers Associations, said the banks had already done all they could to acknowledge their responsibility.

In Japan, corporate responsibility for publicly shaming incidents is usually expiated by resignations of the top management of the company. But in the *jusen* case such a move would be tricky. More than 100 of the country's banks were involved in founding the *jusen*, including nearly all 21 biggest banks.

The government is anxious to deflect public criticism of its planned bailout of the housing loan companies which have collapsed under a pile of non-performing loans. It has agreed to spend Y685bn ($6.4bn) towards their liquidation, a move that is deeply unpopular among the Japanese public. An opinion poll in a national newspaper yesterday suggested 87 per cent of voters were opposed to the plan, which must be approved by parliament in the next few weeks.

Mr Ogawa said he had merely been conveying the views of Mr Wataru Kubo, finance minister, who in the past few days has made a series of attempts to coerce banks to shoulder more of the blame.

On Monday he suggested they should be required to contribute more money to the planned liquidation and on Tuesday he appeared to demand the managements' mass resignations. Yesterday Mr Kubo said he would consider using legal measures to force them to take action.

But the banks, which are required to write off more than Y5,000bn in loans to the *jusen*, have said they cannot accept any additional contribution.

Although the resignations are usually symbolic, with the executive continuing to serve in an advisory capacity, the prospect of a wave of senior management changes would be unnerving for Japan's financial confidence.

Japanese financial crisis hits Equion, Page 13

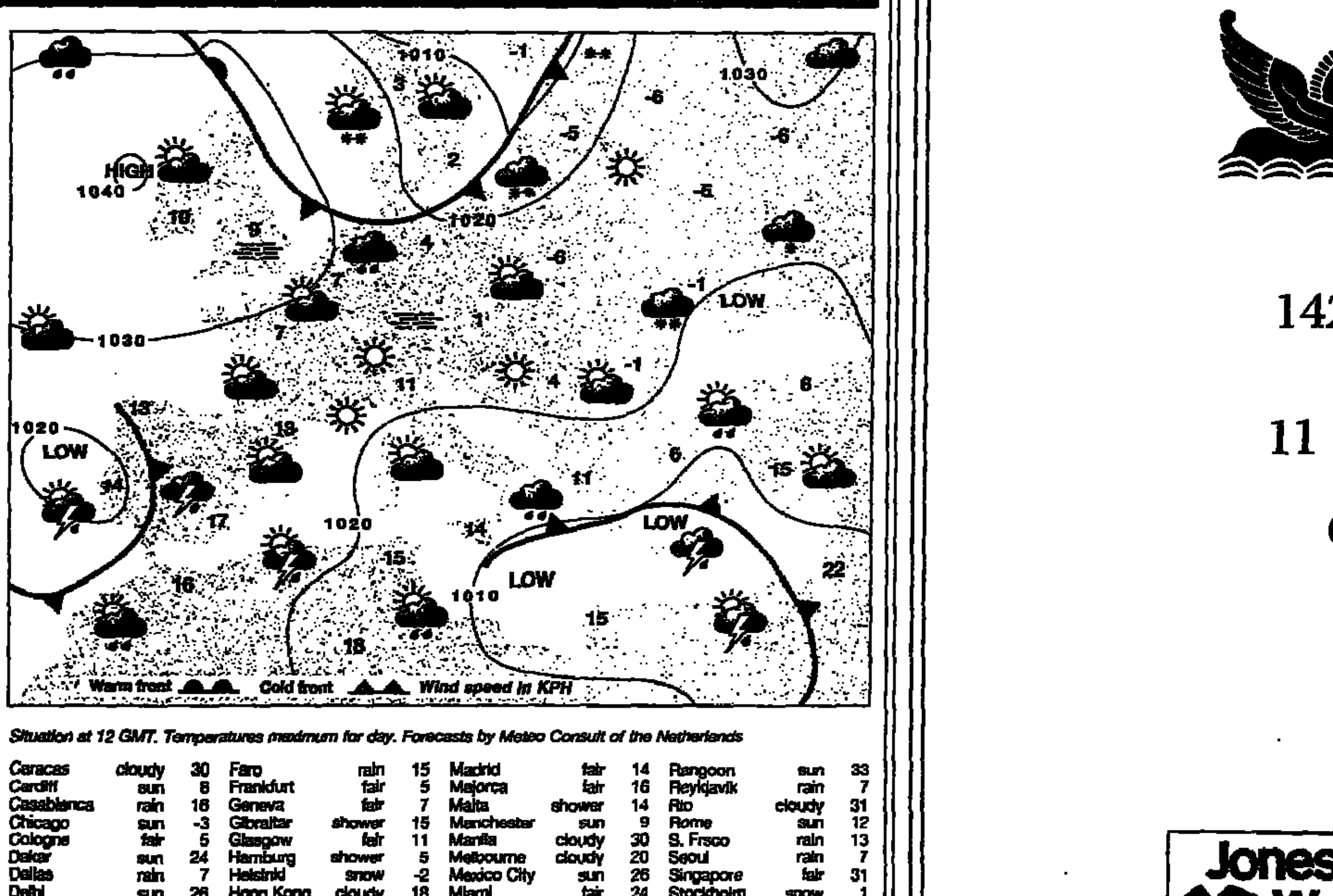
FT WEATHER GUIDE

Europe today

Snow will cover the Norwegian mountains and sleet will fall along the west coast of Sweden. A high pressure system stretching from the west of Ireland towards the Low Countries will bring sunny conditions to the British Isles and the Benelux. Showers will occur in Scotland and the northern Benelux. France and Spain will be sunny but low pressure over the Atlantic will cause rain in Portugal. Showers will develop over south-eastern Italy and south-western Turkey. Rain will fall in Greece.

Five-day forecast

It will rain in Turkey during the next couple of days. Snow will fall over parts of eastern Europe and the Alps. A high pressure system west of Ireland will promote sunny conditions in the British Isles but there will be showers in the north.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

		Maximum Celsius
Abu Dhabi	cloudy	29
Accra	fair	32
Algiers	shower	15
Amsterdam	fair	7
Athens	rain	10
Atlanta	fair	8
B. Aires	fair	28
B.ham	sun	9
Bangkok	fair	36
Barcelona	fair	14
Beijing	sun	6
Belfast	fair	9
Belgrade	sun	4
Berlin	fair	3
Bermuda	shower	22
Bogota	cloudy	21
Bombay	sun	30
Brussels	fair	6
Budapest	sun	2
C.hagen	shower	3
Cairo	fair	24
Cape Town	fair	30
Caracas	cloudy	30
Cardiff	sun	8
Casablanca	rain	16
Chicago	sun	-3
Cologne	fair	5
Dakar	sun	24
Dallas	rain	7
Delhi	sun	26
Dubai	cloudy	28
Dublin	sun	9
Dubrovnik	sun	12
Edinburgh	fair	10
Faro	rain	15
Frankfurt	fair	5
Geneva	fair	7
Gibraltar	shower	15
Glasgow	fair	11
Hamburg	shower	5
Helsinki	snow	-2
Hong Kong	cloudy	18
Honolulu	fair	28
Istanbul	shower	6
Jakarta	cloudy	30
Jersey	sun	9
Karachi	fair	28
Kuwait	fair	23
L. Angeles	cloudy	17
Las Palmas	fair	21
Lima	cloudy	26
Lisbon	shower	15
London	fair	10
Lux.bourg	fair	5
Lyon	fair	8
Madeira	fair	18
Madrid	fair	14
Majorca	fair	16
Malta	shower	14
Manchester	sun	9
Manila	cloudy	30
Melbourne	cloudy	20
Mexico City	sun	26
Miami	fair	24
Milan	sun	11
Montreal	cloudy	-10
Moscow	fair	-5
Munich	fair	6
Nairobi	fair	28
Naples	sun	13
Nassau	fair	27
New York	fair	2
Nice	sun	13
Nicosia	fair	18
Oslo	sun	3
Paris	fair	7
Perth	sun	36
Prague	fair	3
Rangoon	sun	33
Reykjavik	rain	7
Rio	cloudy	31
Rome	sun	12
S. Frsco	rain	13
Seoul	rain	7
Singapore	fair	31
Stockholm	snow	1
Strasbourg	cloudy	7
Sydney	shower	24
Tangier	rain	16
Tel Aviv	fair	22
Tokyo	rain	11
Toronto	fair	-6
Vancouver	sun	6
Venice	sun	10
Vienna	fair	1
Warsaw	sun	-6
Washington	sun	3
Wellington	fair	20
Winnipeg	cloudy	-8
Zurich	fair	6

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday February 29 1996

IN BRIEF

US funds look overseas again

After a year in which share prices at home monopolised their interest, US mutual fund investors have turned their attention overseas again in recent weeks, particularly to the emerging markets of south-east Asia and Latin America. Page 16

Paribas posts loss and launches bid
Paribas, the French financial holding company, *announced losses after provisions of FFr4bn* ($785.4m) for 1995, and launched a full takeover bid for Navigation Mixte, the holding company in which it has a controlling stake. Page 14

Date set for OTE public offering
After months of hesitation over the timing of its third attempt to float OTE, the state telecoms monopoly, the Greek government has set March 26 as the launch date for the offering. Page 14

EdF blames taxes for profits slip
Electricité de France, the state-owned utility, reported an 18.5 per cent drop in profits before *government levies to FFr2.7bn ($541m) last year. It put* the profits fall down to higher taxes and a cut in tariffs to customers. Page 15

Rabobank posts 11% advance
Rabobank, the big Dutch co-operative bank, posted an 11 per cent increase in 1995 net profits to Fl 1.43bn ($879m). Page 15

Newsprint mills face price rise resistance
North American and Scandinavian newsprint mills may find it hard to make proposed price rises stick in the face of customer resistance. Page 16

Hanson in $500m US forestry disposal
Hanson, the industrial conglomerate, yesterday sold a large portion of its Cavenham Forest Industries subsidiary in the US to Weyerhaeuser, the forest group, for $500m. Page 18

Exceptionals push BICC into the red
Restructuring costs, difficult trading conditions and a loss on the sale of its housebuilding side pushed BICC, the international cables and construction group, into the red last year. The group reported a *pre-tax loss of £67m ($103m) for 1995.* Page 18

Orange to float at up to £2.45bn
Orange, the UK mobile communications group, confirmed that it will be valued at between £2.2bn and £2.45bn ($3.77bn and $3.38bn) when it floats at the end of next month. Page 18

Standard Chartered cheered by 30% rise
Standard Chartered, the international banking group *announced a 30 per cent increase in 1995 pre-tax profits to £661m ($1.02bn).* Page 18

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				Banc Comp	546	+	14
Rises				Chargeurs	1338	+	137
Allianz	2853	+	53	Ecco	983	+	28
Asko	789	+	31	Legrand	925	+	28
DLW	141	+	6.5	**Falls**			
Kaufhof	458.8	+	6.8	Fonc Lyon	482	–	13
Falls				**TOKYO (Yen)**			
GEHE	820.5	–	23.5	**Rises**			
Ind Werke	288	–	5	Brother Ind	598	+	17
NEW YORK ($)				Itoham Foods	788	+	18
Rises				Nippon Signal	1200	+	120
Boston Science	47⅞	+	5⅛	**Falls**			
Culbro Corp	68¼	+	3¼	Chiba Bank	821	–	24
Diana Corp	19½	+	2⅝	Daimaru Inc	899	–	21
Falls				Mitsukoshi	911	–	19
Nat'l Golf Prp	25⅛	–	1⅛	**HONG KONG (HK$)**			
Nokia Corp A	35½	–	1¼	**Rises**			
Sensormatic	21	–	1⅜	Hang Seng Bnk	77.25	+	2.5
LONDON (Pence)				Intl Bnk Asia	5.3	+	0.2
Rises				Shun Tak Hlds	5.8	+	0.2
London Clubs	515	+	25	**Falls**			
Std Chartered	636	+	37	Grande Hlds	3.85	–	0.15
Stoly Leisure	410	+	38	IMC Hlds	3.975	–	0.17
Superscape VR	778	+	58	VGM Trading	5.8	–	0.15
Falls				**BANGKOK (Baht)**			
Micro Focus	578	–	35	**Rises**			
Vosper Th'croft	833	–	43	Asian Sea Food	58.0	+	3.5
TORONTO (C$)				Modern Home	67.0	+	4.5
Rises				Post Publish	181.0	+	16.0
Fairfax Fin	135	+	7	**Falls**			
Gt Pacific	30	+	2	Loxley Publ	446.0	–	32.0
KWG Res	19⅝	+	1⅞	Thai Toray Tex	70.5	–	5.0
Falls				Univenture	47.25	–	5.25
Goldcorp Cl	24	–	1½				
Greyhound Line	11¾	–	1⅛				
Spectral Diag	10⅝	–	⅝				
PARIS (FFr)							
Rises							
Accor	710	+	21				

New York and Toronto prices at 12.30pm.

Nokia warns of 'substantial' fall

By Christopher Brown-Humes in Stockholm

Nokia, the Finnish telecommunications group, yesterday warned first-half profits would be substantially below 1995 levels, but said it was ending a disastrous involvement in television set production.

It yesterday reported a FM4.9bn ($1bn) pre-tax profit for 1995, below market expectations but 23 per cent above 1994's FM4bn profit.

The report underlines current turbulence in the mobile phone industry after spectacular growth of the past three years. Motorola of the US, Nokia's main rival, reported sharply lower fourth-quarter 1995 profits, and warned of slower sales, falling prices and a squeeze on margins. Shares in Nokia, the world's second largest supplier of mobile handsets after Motorola, yesterday see-sawed, first surging 7 per cent, then falling to close down 6.9 per cent at FM156.

Falling prices, production bottlenecks, and unexpectedly difficult conditions in the US hit Nokia. It said consumer electronics operations had been plagued by losses in the European TV market. Pre-tax profits fell in the final four months from FM1.7bn to FM1.3bn, a bigger fall than analysts had expected despite a profit warning from the group in December.

Analysts noted annual mobile phone operating profits were virtually unchanged at FM1.73bn, even though turnover grew 50 per cent to FM16.0bn. This reflected internal production hiccups, as it battled to meet strong demand, and sharp price falls in the US where Nokia sells about one in four of its mobile phones.

Mr Jorma Ollila, Nokia chief executive, said: "Prices fell by 30 to 40 per cent in the US market, which is dominated by analogue phones, and by 15 to 25 per cent in Europe and Asia, which are mainly digital phone markets."

He said logistical problems would have an impact on the group's first-half figures, and it *would not feel the full benefits of* a strong order surge for its telecommunications unit until the second half.

Pricing pressures are expected to continue, but the group hopes to offset these through increased efficiency. Mr Ollila insisted demand for mobile phones in Europe and Asia remained strong, and digital sales were forecast to lead to an improvement in the US next year.

The group's telecommunications unit, which handles infrastructure, posted a strong performance, with a 36 per cent rise in orders and a jump in operating profits from FM1.7bn to FM2.7bn.

The decision to withdraw from TV production follows total *losses of more than FM2bn since* 1988. The group is making a *FM2.3bn charge to cover the move.* Mr Ollila said: "The final straw was that our TV businesses again made losses in 1995 after progress in 1994. The European TV market continued to go down, particularly in the second half when consumer confidence sagged, and we could see no sign of an upturn."

The group has begun talks to sell the businesses, which incurred losses of FM352m last year.

Group sales surged from FM30.2bn to FM36.8bn while operating profits climbed from FM3.6bn to FM5.0bn. The dividend rises from FM2.5 to FM3.

Lex, Page 12

Japanese institution files for bankruptcy

By Emiko Terazono in Tokyo

Equion Corp, a leading Japanese non-bank financial institution, yesterday became the latest casualty of the country's financial crisis. It filed for liquidation with debts of Y310.6bn ($2.93bn) – the country's largest bankruptcy since 1991.

Its failure is a further blow to Japan's leading commercial banks, *which are set to declare* record losses due to bad loan write-offs. Among Equion's largest creditors are Hokkaido Takushoku, Dai-Ichi Kangyo and Sumitomo Trust banks, all laden with bad loans.

The company had lent heavily to the property sector and more than 80 per cent of its loans had become non-performing, according to Teikoku Data Bank, a credit research agency.

Many of the country's non-bank financial institutions provided loans to corporations which also borrowed from *jusen*, the ailing housing loan companies, at present the subject of a liquidation plan engineered by the government. The squeeze on such borrowers that will be triggered by the *jusen* liquidations will hit the non-bank institutions and their creditors.

Equion is the seventh-largest bankruptcy in the post-war period, and its collapse follows *that of Aichi, another non-bank* financial institution which made speculative purchases of impressionist paintings. It went under this month with debts of Y182bn.

Sumitomo Trust and Hokkaido Takushoku each had Y25.4bn in outstanding loans to Equion, while DKB, Mitsui Trust & Banking and Yasuda Trust & Banking had extended Y16bn each. Nomura Finance, a finance arm of the broker, also lent Y10bn.

Financial analysts fear a chain reaction will force commercial banks to write off additional losses. "It could potentially create the next stage of a banking crisis," warned Mr Brian Waterhouse, analyst at brokers James Capel in Tokyo.

Meanwhile, Maruto Komuten, a property developer based east of Tokyo, was declared insolvent by a court, becoming the first victim of a fund squeeze caused by the *jusen* debacle. The company, which according to Teikoku Data Bank had Y36.8bn in liabilities, is the first *jusen* borrower to be declared bankrupt since the government announced its liquidation scheme for the seven housing loan companies.

David Lascelles analyses the latest move in the European market for oil products

BP and Mobil aim to get in front and stay there

The partnership that British Petroleum and Mobil will announce today marks another dramatic stage in the rationalisation of the hard pressed European market for oil products. If it succeeds, this unusual alliance should enable the two companies to challenge the dominance of the long-time market leaders, *Shell*, the *Anglo-Dutch* group, and Exxon of the US. The partnership is being forged against a background of toughening competition in most *European coun*tries. Surplus capacity has already led to refinery closures and price cutting – and this is putting the squeeze on companies that lack market dominance. Both Mobil and BP have already announced cuts in their European operations. Last month BP said it *had decided to close or sell two* European refineries. Mobil has pulled out of marketing fuels in Italy and Norway, and last year it shut down its refinery at Wörth in Germany.

But with Exxon now putting a further squeeze on prices at the petrol pump in the UK, and Shell in the throes of a big internal reorganisation to cut costs, the pressure continues to mount: hence the need for further action.

The BP-Mobil partnership is an ambitious plan to pool $5bn (£3.2bn) of assets in refineries and service stations throughout Europe so the two companies will emerge as market leaders in more than half-a-dozen countries. The deal also contains provisions for the partnership to be extended into further countries where the two companies might expand later.

Both Notto and Browne have been described as aggressive and unafraid to question the sacred tenets of the industry

By cutting out duplication and making better use of the loca*tion of their refi*neries they should be able to cut costs and compete more aggressively. "This is all about structure," said one source close to the negotiations last night.

The partnership, which will have combined sales of $20bn a year, will be in two parts. The *first, covering fuels, will have BP* as its dominant partner with 70 per cent. The second, covering lubricants, will have Mobil with a majority of 51 per cent. The two companies' 9,000 service stations in Europe will carry BP's green livery, but the design will also incorporate the Mobil logo.

From BP's point of view, the deal is another step in the strategy developed by its new chief *executive, Mr John Browne, to* build on the company's strengths – and get out of areas where it cannot make sufficient returns.

This strategy is focused on improving profits, which are now rising strongly. But the closures and cutbacks have also reduced BP's size, making it more necessary for the company to find ways of retaining and enlarging its market share.

For Mobil, the US's second largest oil company after Exxon, *the partnership offers the oppor*tunity to re-invigorate its position in a region where returns had long been inadequate and one which had slipped behind regions like east Asia in investment priorities. Mr Lou Notto, Mobil's new chairman, has indicated that he would not shrink from selling or exchanging assets that were underperforming.

In fact the partnership appears *to reflect a meeting of minds* between Mr Browne, and Mr Notto, both of whom are relatively recent arrivals in their jobs. Both have been described as aggressive and unafraid to question the sacred tenets of the industry, and both are keen to build shareholder value.

"These two companies were among the first to rationalise their downstream operations in Europe," said Mr Fergus McLeod, oil industry analyst at NatWest *Markets. "But having taken the* initiative they are now saying 'we're not going to sit back and watch others follow suit. We're going to carry it all a stage further'."

The alliance is said by both sides to be a good fit geographically, particularly in the distribution of refineries and service stations. Large economies of scale can be achieved by expanding the market in the immediate vicinity of a refinery. The choice of a partnership rather than any other arrangement is not surprising in an industry criss-crossed by a multitude of mutual ownership and co-operation agreements. Most of them tend, however, to be in the upstream end of the business such as the partnership between Exxon and Shell for North Sea development.

At the downstream end, Chevron and Texaco market their *joint production under the Caltex* label, and various companies own minority stakes. Mobil for example has a 28 per cent interest in Aral in Germany.

But today's deal is likely to mark the most ambitious pooling of downstream assets, certainly in Europe, which if successful could prompt further alliances as companies face an even tighter squeeze on profits.

Oiling the wheels

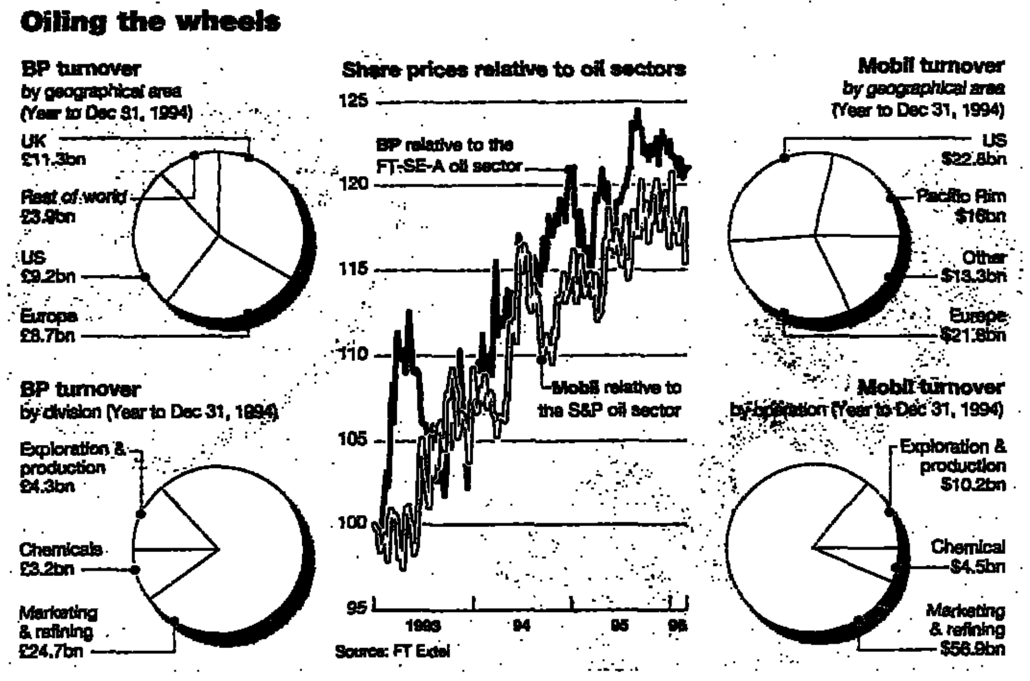


ABB advances to $1.3bn and unveils boardroom reshuffle

By Stefan Wagstyl in Warsaw

ABB, the European engineering group, yesterday announced a boardroom reorganisation designed to simplify decision-*making and* strengthen links with shareholders.

The company, which also posted a 73 per cent increase in net profits for 1995 to $1.315bn, *said the move would reinforce* the merger from which ABB was created when the group's two holding companies, Asea of Sweden and Switzerland's Brown Boveri, pooled their operations in 1988.

Asea and BBC shares rose 2.2 per cent and 1.9 per cent respectively on hopes that the streamlined structure would make the group more attractive to investors.

Mr Percy Barnevik, the chief executive, announced the changes in Warsaw, where ABB was holding its annual group press conference in order to highlight its commitment to eastern Europe, where it is making extensive investments.

Under the plan, Mr Barnevik will become chairman as well as chief executive. Instead of a board formed from four Asea and *four BBC directors*, ABB will have a combined board of 11, including four new non-executive directors. Among these are Mr Peter Sutherland, the former General Agreement on Tariffs and Trade director general, Mr Yotaro Kobayashi, chairman of Fuji Xerox of Japan, and Mr Lodewijk van Wachem, chairman of Royal Dutch Petroleum.

To underline the new sense of unity, Asea is to change its name to ABB AB, and BBC will become ABB AG. ABB will also take over the two holding companies' remaining activities, including distributing dividends.

Mr Barnevik said the proposals would mean the merger started in 1988 was "virtually complete" He pledged to resolve the remaining merger issue – unification of Asea's and BBC's separately listed shares, which has been *delayed by negotiations* with Swiss tax authorities on shareholders' tax liabilities arising from a stock merger.

Mr Barnevik also said that although he would be both chairman and chief executive, the group would eventually appoint a new chief executive. ABB could adopt the UK system of a non-executive chairman supervising the business, and a chief executive in day-to-day charge.

ABB surges, Page 14

Trafalgar 'may accept £900m'

By Andrew Taylor, Construction Correspondent

Trafalgar House executives *believe directors are likely to* support a bid from Kvaerner of Norway provided it values the UK construction, engineering and shipping conglomerate at no less than £900m ($1.38bn).

The Norwegian engineering and shipping group is expected to announce by early next week whether it will launch an offer. It has ruled out a hostile bid.

Mr Erik Tonseth, Kvaerner's chief executive, was in London yesterday, but it is thought he *did not meet* Trafalgar directors. Discussions were handled by the groups' financial advisers, SBC Warburg for Kvaerner and Schroder for Trafalgar House.

A bid of £900m would imply an offer of 50p-55p for each Trafalgar ordinary share, compared with last night's closing price of 45¾p.

The support of the Keswick *family is essential if Kvaerner* is to proceed. Hongkong Land, part of the family's Jardine Matheson empire, has a 26 per cent stake in Trafalgar. Mr Simon Keswick is *chairman of the group.*

Hongkong Land, which paid 73p a share for the first block of shares, bought in 1992, has become disenchanted with its investment and indicated it would sell if the price was right.

Trafalgar suspended dividend payments after incurring a pre-tax loss of £320.8m in the year to September. It had net debt of £229m, representing almost two-thirds of shareholder funds.

Since then it has raised more than £250m by *selling* the Ritz hotel in London and Ideal Homes, its UK housebuilding division.

Kvaerner must decide whether to launch a full-scale offer for Trafalgar following the failure last December of a £360m hostile bid for Amec, another UK construction and engineering group.

Kvaerner is determined to *expand its oil and gas fabrication* and process plant manufacturing business internationally.

A marriage of Kvaerner and Trafalgar would create the *world's largest offshore oil and* gas fabrication business, ahead of present market leaders Brown & Root and McDermott of the UK.

Kvaerner's B shares, which fell NKr5 on Tuesday after the announcement of a possible bid for Trafalgar, slipped NKr10 yesterday to NKr183.

Background, Page 18

EUROPEAN NEWS DIGEST

Total share sale nets FFr3.1bn

The French government yesterday opened its 1996 privatisation programme by selling 9.5m of its shares in Total, the oil group, to French and foreign institutional investors for FFr3.1bn ($621m).

The operation, arranged by Crédit Lyonnais and Lehman Brothers and completed overnight, reduced the state stake in Total from 5 per cent to 1 per cent. The sale, which at FFr326 apiece gave buyers a slight discount, barely affected Total's shares, which closed at FFr332. The government has also withdrawn one of its two nominees to the Total board, and reduced the veto power on appointment of Total presidents that it obtained in an agreement dating back to 1930, and that will lapse entirely in 2000. *David Buchan, Paris*

Maculan to file for bankruptcy

Maculan Holding, Austria's second largest construction group, said yesterday it would file for bankruptcy next Monday. The group suffered heavy losses in eastern Germany and Russia, where it had expanded aggressively after 1989. Last year, Mr Alexander Maculan, the chairman and majority owner, yielded control of the group to a consortium of Austrian and German creditor banks, but had still hoped to salvage the company.

The collapse became inevitable after the Austrian banks which include Creditanstalt, Bank Austria and Raiffeisen Zentralbank, demanded modifications to an earlier financing package in order to limit their future risks.

The banks argued they had extended additional credits to Maculan in recent weeks, while the German banks had decreased their exposure. However, the German creditors, with Berliner Bank in the forefront, insisted on an unlimited bank guarantee for future losses. Estimates of the 1995 losses also increased from the original prediction of Sch350m ($343.3m) by the consulting firm Roland Berger & Partner last November. The deficit is now believed to be about Sch700m. *Eric Frey, Vienna*

Mediaset sells further stake

Mediaset, the media interests group of Mr Silvio Berlusconi's Fininvest business empire, yesterday further opened its capital to outside investors with the sale of a 2.3 per cent stake to two mutual funds managed by Capital Research and Management Company, a US investment manager. The sale of the stake, worth L155bn ($100m), is another step in Fininvest's plans to enable Mediaset, Italy's largest private broadcaster, to compete internationally through injecting cash and freeing it of debt. Mr Berlusconi's stake in Mediaset is intended to fall below 50 per cent, although he is still expected to control Mediaset as its largest investor. *John Simkins, Milan*

Sonae's 20% rise disappoints

Shares in Sonae Investimentos, the holding company for Portugal's biggest retail and industrial conglomerate, dropped 2.3 per cent yesterday to Es3,550 after the group posted disappointing 1995 earnings. The group reported a 20 per cent increase in net consolidated profit to Es12.9bn ($85.4m) from Es10.7bn in 1994. But analysts said underlying earnings per share were about 20 per cent lower than expected, falling to Es173 from Es268 in the previous year.

Although the group posted a 69 per cent increase in extraordinary profits from Es4.9bn to Es8.3bn, analysts said underlying net profits fell 35 per cent to Es6.9bn. The extraordinary gains came mainly from the sale of shares in Banco Português do Atlântico. Operating profits climbed 65 per cent to Es19.5bn due to substantial operating improvements in the group's retailing business and the incorporation for the first time of Tafisa, a Spanish hardboard producer.

An increase in Tafisa's net profit to Pta2.4bn, from Pta800m in 1994, helped Sonae Indústria, the group's wood products division, achieve a surprising turnround from a net consolidated loss of Es1.2bn in 1994 to a profit of Es970m, after minorities. The industrial division benefited from a net extraordinary gain of Es1.9bn, mainly from the sale of two subsidiaries to the group's retail arm, as well as the consolidation of its 45 per cent holding in Tafisa.

Sonae Investimento's sales rose 35 per cent to Es357bn from Es263.9bn in 1994. Turnover from the group's Continente hypermarket chain and Modelo supermarkets contributed 74 per cent of the total. Underlying profits were hit by a Es3.2bn increase in net financial expenses to Es4.5bn, excluding 1994 dividends from BPA.

Investment rose 60 per cent in 1995 to Es58.4bn, 1.2 times cash flow. Group debt increased from Es52.5bn to Es91.3bn. Pre-tax profits were ahead 43 per cent to Es23.7bn. *Peter Wise, Lisbon*

ABB surges to $1.315bn

By Stefan Wagstyl in Warsaw

ABB, the international engineering combine, yesterday announced a 73 per cent increase in annual net profits to $1.315bn, fuelled by strong demand for industrial equipment, cost-cutting and a one-off $250m investment gain.

Despite a tough price squeeze in some markets, notably power engineering, operating profits rose 25 per cent to $3.275bn on a sales increase of 14 per cent to $33.73bn. The results were boosted by the recent fall in the US dollar: in local currency terms, operating profits rose 18 per cent and turnover 6 per cent.

Mr Percy Barnevik, chief executive, said the performance showed the benefits of the extensive restructuring undergone by ABB since it was formed from the merger of Sweden's Asea and BBC Brown Boveri of Switzerland in 1988.

The group, which employs nearly 210,000 in 120 countries, had cut development times, rationalised suppliers, raised quality levels and increased its ties with customers, said Mr Barnevik.

In Stockholm Asea's shares rose SKr15 to close at SKr697, while in Zurich BBC's shares also increased, up SFr32 at SFr1,475.

The group was benefiting from its widespread investments in emerging markets, notably in Asia, Latin American and eastern Europe, said Mr Barnevik. Echoing other business leaders, he warned of "a certain dampening of growth of demand" in Europe, particularly in Germany.

But Mr Barnevik forecast an increase in income for 1996, saying there would be "opportunities in the slowdown", such as orders for revamping existing power stations instead of building new ones. Also, the group could look to Asia for more "non-cyclical growth".

"Asia is where the big battle is," he said. The group's long-term target remains increasing average annual sales volume by 6 per cent over a business cycle.

Last year's profits were boosted by the $250m gains realised from the merger last year of ABB's rail transport business with Daimler Benz's in a 50:50 joint venture called ADtranz.

The group's largest division by turnover, industrial and building systems, which supplies equipment for factories and offices, recorded a 16 per cent increase in sales to $14.9bn and a 35 per cent rise in operating profits.

In power generation, profits growth was held back by severe international competition. While turnover rose 15.7 per cent to $10.3bn, operating profits rose just 4 per cent to $914m. The picture in power transmission was similar, with a 15.8 per cent sales gain to $8.1bn producing a mere 2.6 per cent profits increase to $675m.

In transport, profits rose 48 per cent to $207m despite a slight decline in turnover, as ABB benefited from previous years' cost-cutting.

The small but fast-growing financial services business, which organises finance for some of the group's large projects, posted a 43 per cent profits increase to $428m.

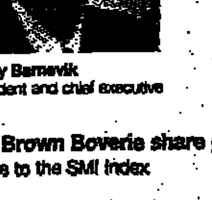
Regionally, the largest sales gains were seen in Europe, where turnover rose 18 per cent to $19.7bn, or nearly 60 per cent of the group total. Sales in the Americas fell slightly to $5.77bn, while turnover in Asia, the Pacific and Africa rose 15.5 per cent to $8.23bn.

The order book grew in line with sales, with a 14 per cent rise in dollar terms to $36.22bn. Among the largest orders booked was a $470m contract for a gasification power plant in Italy and a $400m gas turbine contract for South Korea.

Earnings per share for Asea shares were SKr49.90, against SKr32.10, and dividends SKr16, against SKr11.50. BBC Brown Boveri is to pay dividends of SFr30 for bearer shares, up from SFr20, and SFr6 for registered shares, up from SFr4.

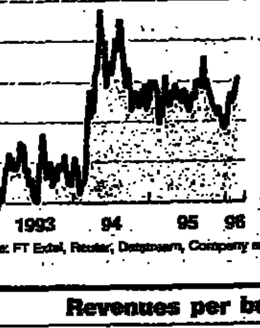
COMPANY PROFILE:

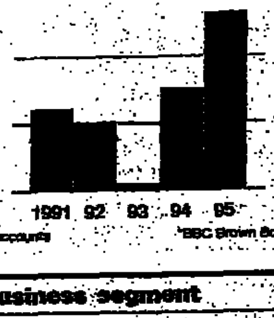
ABB ASEA Brown Boverie



Percy Barnevik
President and chief executive

Market capitalisation*	$9.8bn
Main listing*	Zurich
Historic P/E*	25.5
Gross yield*	1.9%
Earnings per share*	SFr 74.5
Current share price*	SFr 1,475





Source: FT Extel, Reuter, Datastream, Company accounts

Revenues per business segment	$bn	Change on year (%)
Industrial and building systems	14.9	16
Power generation	10.3	16
Power transmission and distribution	8.1	16
Transportation	2.8	-1
Financial services	0.4	39
Various	3.1	12
Revenues by region		
Europe	19.7	18
Asia/Australasia/Africa	8.2	16
The Americas	5.8	-1

Source: Company

Greece sets March date for OTE sell-off

By Kerin Hope in Athens

After months of hesitation over the timing of its third attempt to float OTE, the state telecoms monopoly, the Greek government has set March 26 as the launch date for the initial public offering.

In order to defuse political objections to the flotation, the issue has been drastically scaled back to just 6 per cent of OTE's equity, though the government may make another 1 per cent or 2 per cent available if it is heavily oversubscribed.

Nonetheless, the issue will still be the biggest to date on the small Athens stock exchange. Brokers say it would increase the market's total capitalisation by about 25 per cent, giving a welcome boost to liquidity.

The government hopes to raise at least Dr90bn ($377m) to fund new investment by OTE, which plans to set up a third mobile telephone network in Greece and build strategic alliances with state telecoms operators elsewhere in the Balkans.

Following its failure to float the company in 1993 and 1994, the economy ministry has shown more caution this time in structuring and pricing the issue. In a bid to win broad political support for the listing, one sixth of the 24m shares on offer are being offered for sale at a discount to OTE employees and pensioners.

Parliament last week approved special legislation on the offering, which set a floor price of Dr3,700 per share and requires the underwriters to support the issue price during the first six months of trading. Buyers who keep their shares for 18 months can then participate in a 1-for-10 bonus issue.

Because of OTE's unhappy experience in 1994, when the planned flotation of 25 per cent of the company collapsed at the last moment because overseas investors said it was overpriced, the issue does not include an international tranche.

However, National Bank of Greece, lead manager for the issue, is expected to accept an offer by three international investment banks to place about 1 per cent of the company's equity with institutions in the US, Europe and Asia.

James Capel, the investment banking arm of HSBC, together with BZW and Salomon Brothers, is willing to dispose of 4.5m shares, equivalent to 19 per cent of the offering, at a price of just over Dr3,800 apiece, bankers in Athens said.

In addition to National Bank, the principal domestic underwriters to the issue will be Alpha Credit Bank, Greece's largest private bank, and state-owned Commercial Bank.

● France Télécom's mobile operations generated sales of FFr6.5bn ($1.3bn) in 1995, compared with FFr4.4bn a year earlier, France Télécom Mobiles director Mr Michel Bertinetto said, reports AFX News from Paris.

Mr Bertinetto said mobile operations in France accounted for FFr5.2bn of turnover last year, up 40 per cent, while the radiomessaging service and mobile telephone activities abroad contributed FFr1.2bn.

France Telecom also announced FFr3.6bn of planned investments for 1996, compared with FFr2.6bn invested last year.

Paribas loses FFr4bn and bids for Navigation Mixte

By Andrew Jack

Paribas, the French financial holding company, yesterday announced losses after provisions of FFr4bn ($802m) for 1995, and launched a full takeover bid for Navigation Mixte, the holding company in which it has a controlling stake.

The group made provisions of FFr5.5bn, including a write-down of FFr2.1bn in its holding of Navigation Mixte, and more than FFr3bn to cover a range of property costs as part of a restructuring of its Cogedim and Crédit du Nord subsidiaries.

It also announced plans to sell FFr15bn of its "industrial and financial" assets over the next three years, as part of a restructuring to help prepare it for the future. It estimated the value of its assets at FFr60bn before the acquisition of Navigation Mixte.

Paribas said yesterday that it had boosted its control in Navigation Mixte from 30 per cent to more than 50 per cent, after the acquisition of two blocks of shares from other large investors at FFr800 each. It is now offering the same terms to all other shareholders.

The group failed to take over Navigation Mixte in 1989, leaving itself with a 30 per cent stake, balanced by Navigation's 9 per cent in Paribas. When a five-year shareholders' pact expired last summer, Paris acted swiftly to replace the then Navigation chairman, Mr Marc Fournier.

Mr André Lévy-Lang, Paribas' chairman, said the takeover bid was designed to generate liquidity after its investments in Navigation had been immobilised for five years.

He said Navigation had not provided "value-added" as a conglomerate, and required a stable shareholding, which Paribas believed it could provide through the acquisition.

He said there were no plans to break-up the group, but the FFr9bn required for the takeover could be funded largely through cash and assets owned by Navigation.

Mr Lévy-Lang said the 9 per cent of Paribas shares held until now by Navigation would be deconsolidated, providing a type of capital "buy-back".

He said 1996 had "begun well" in all of the group's divisions and believed the group would return to profits for the full year.

In an expression of confidence, Paribas resolved to maintain its dividend at FFr12 a share despite the losses.

Banque Paribas, the group's investment banking arm, reported a loss of FFr551m for the year, compared with profits of FFr788m in 1994, which it said was largely the result of poor markets activities.

Compagnie Bancaire, its consumer credit arm, reported profits of FFr358m, after FFr193m last time.

Crédit du Nord, the retail banking operation, reported a profit of FFr3m, after losses of FFr97m in 1994 led to a restructuring.

Paribas' industrial investments portfolio generated profits of FFr2.2bn, against FFr2.4bn last time.

Carrefour up sharply but hits at government

By Andrew Jack in Paris

Carrefour, the French retail group, yesterday unveiled net profits up two-thirds to FFr3.5bn ($701m) for 1995 while issuing a sharp criticism of the government's latest "corporatist" moves to clamp down on hypermarkets.

Mr Daniel Bernard, chairman, warned that current legislative proposals would raise prices, impede efforts to boost consumer spending and jobs, and hinder attempts to improve the quality of produce. "This seems like a dangerous recourse to administrative controls," he said.

He was referring to two legislative proposals by the French government. One is designed to protect smaller shopkeepers and suppliers by increasing their negotiating powers with hypermarkets and toughening penalties for predatory pricing. The other is intended to freeze large new developments in the country.

He argued that Carrefour had created 2,800 jobs in France last year, and had contributed to supporting France's agricultural sector and to improving standards.

Mr Bernard also rejected suggestions that hypermarkets sold baguettes for as little as 60 centimes – one of the key charges used by critics of large retailers.

Carrefour generated a 6.1 per cent rise in sales after tax to FFr144.6bn in 1995, which it said was equivalent to an 8 per cent increase on a constant exchange rate basis. The shares rose FFr85 to close at FFr3,387.

During the year, the group opened 24 new hypermarkets around the world, which for the first time gave it more outlets in other countries than in France – a policy which he said would continue in the future, particularly in Latin America and Asia.

It now operates two hypermarkets in China, 10 in Taiwan and one in Malaysia.

Mr Bernard said Carrefour's strategy was international expansion, primarily with hypermarkets. He said the group would also focus on tightening "organisational skills" to improve management "synergies" between countries and regions.

Only 45.8 per cent of net operating income came from France, with 22.1 per cent from Spain, 20 per cent from Brazil and 9.7 per cent from Argentina. Some 62 per cent of sales still come from France.

The group reported net income from recurring operations up 24.7 per cent to FFr2.7bn, with a further profit of FFr846m – compared with a loss of FFr33m last time – from exceptional items.

Hypermarkets produce 94.5 per cent of Carrefour's sales.

هكذا أصله الأصل

EdF blames higher taxes for downturn in profits

By David Buchan in Paris

Electricité de France, the state-owned utility, yesterday reported an 18.5 per cent drop in profits before government levies to FFr2.7bn ($541m) last year.

However, it said a 10 per cent rise in power exports had outpaced the 2.8 per cent increase in overall turnover and that its expansion abroad would continue this year.

EdF, the world's largest electricity generator with FFr188.6bn of sales last year, said the drop in profit was essentially due to higher taxes and a 2 per cent average cut in tariffs to customers.

This was partially offset by an 8.4 per cent decline in financial charges, thanks to a FFr15bn reduction in debt to FFr145.bn and lower French interest rates. The government reduced its levy on EdF's profit from FFr1.9bn in 1994 to FFr1.5bn last year.

Mr Edmond Alphandéry, the new EdF president and former finance minister, said he would ask the government for "further margin" to invest abroad this year.

Significant investments last year in Italian power production and Hungarian distribution took EdF's shareholdings to FFr5.5bn in foreign companies, which have a total worth of FFr60bn and serve 4m clients.

EdF, which is also Europe's largest electricity exporter, last year made FFr16bn from its net electricity exports. These increased to all its main European customers except the UK, with which it has a flexible contract that allowed it to cut sales during the strikes in France last December.

Mr Alphandéry indicated that an alternative route for exports to Spain would be found for the trans-Pyrrenean line recently cancelled by the French government on environmental grounds.

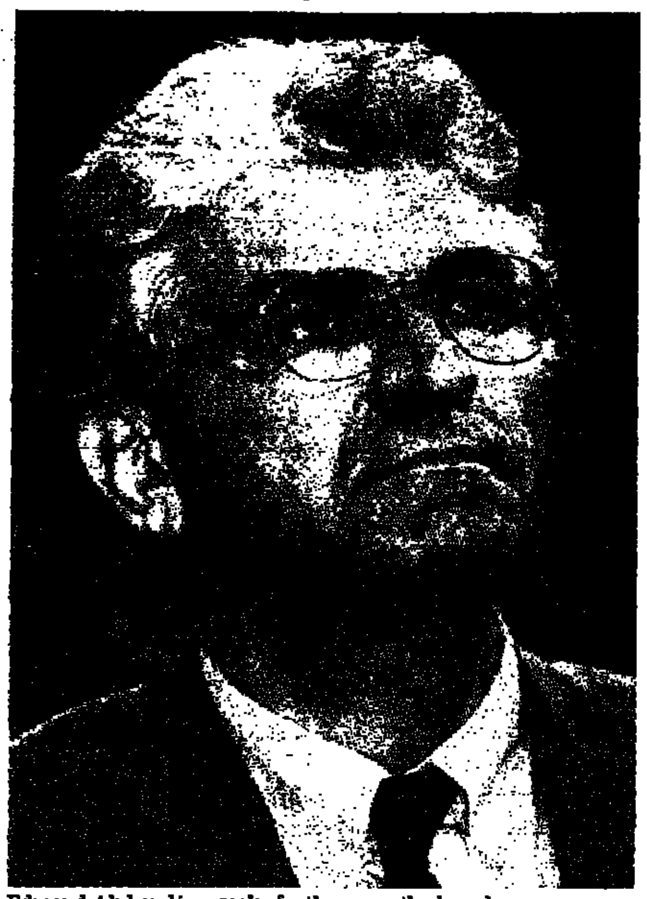
He said EdF would increase its international presence in order to capitalise on its technical know-how that last year helped it win the FFr450m contract to build the Ling Ao reactor in China. That contract would help provide work until France's current reactors needed renewing in 2010, and to provide financial resources needed for domestic investment after 2010.

The EdF chief saw no contradiction between increased investment abroad and the utility's determination to keep its monopoly of distribution at home.

He expressed hopes for an early end to the impasse between France and many of its European Union partners on liberalising the electricity market, saying "we would like to finish this [dispute] off".

In a warning to EdF's unions – which took strike action last December against EU liberalisation attempts which they see as a first step to privatisation – he cautioned that failure to reach an EU accord "would not mean the end of our troubles", because the European Commission might then ask the European Court of Justice to end EdF's distribution monopoly.

EdF is ready to accept competition to produce new capacity in France, but wants to ensure that such competitors pass all their electricity through its network. EdF argues this is vital for long-term planning of nuclear reactors, which last year generated 81 per cent of EdF's power.



Edmond Alphandéry: seeks further growth abroad Trevor Humphries

Rabobank posts 11% advance for year

By Ronald van de Krol in Amsterdam

Rabobank, the big Dutch co-operative bank, posted an 11 per cent increase in 1995 net profits to Fl 1.43bn ($879m), marking an acceleration from the 7.3 per cent rise achieved in the first half of the year.

The bank's loan portfolio expanded by 7.6 per cent to Fl 193.5bn, while risks provisioning was left unchanged at Fl 840m.

Although the bank said it was satisfied with 1995 results, it also noted that growth had been held back slightly by narrower interest-rate margins and lower commission income. The 1995 net profits figure represents a slowdown in growth compared with 1994, when net profits had increased by 14.3 per cent.

Rabobank, which specialises in lending to the international agri-business sector, said it expected further growth at home and abroad in 1996.

Difficulties facing Dutch farmers and horticulturists meant there was little credit demand from this sector. The domestic loan portfolio for the agricultural sector rose by less than 1 per cent.

However, lending to households and consumers showed a 12.9 per cent rise, fuelled by low interest rate levels and buoyant mortgage lending. Rabobank is the biggest mortgage lender in the Netherlands.

Lending to industry, trading companies and the services sector was up 3.7 per cent, though this was less than half the 1994 rate of 7.6 per cent. "These companies remain cautious about investment in spite of ongoing economic recovery," the bank said.

Total revenue rose by 5.7 per cent to Fl 8.61bn, but operating costs grew even faster, climbing by 6.4 per cent to Fl 5.69bn.

The increase in labour costs, which make up about two thirds of total operating costs, was due partly to Rabobank's continued international expansion. In 1995, new offices included Taipei, Melbourne, Beijing and Atlanta, expanding Rabobank's network to 77 offices in 31 countries against 64 offices and 28 countries the year before.

The decline in commission income, from Fl 1.1bn to Fl 1.07bn, was linked partly to Rabobank's abolition of retail bank charges and a cut in charges for European payment transfers, the bank said.

Rabobank's interest margin contracted from 2.39 per cent to 2.27 per cent, though overall interest income showed modest growth from Fl 6.24bn to Fl 6.39bn, thanks to higher lending.

Tabacalera ahead despite declining demand

By David White in Madrid

Tabacalera, Spain's state-controlled tobacco concern, lifted consolidated net profits by 24.3 per cent last year to Pta13.71bn ($112m) in spite of declining demand from Spanish smokers.

The group, now 52 per cent government-owned and a candidate for further privatisation after next month's general election, attributed the earnings rise to the success of a cost-cutting programme under way since 1993 and a reorganisation of its activities last year.

Mr Pedro Pérez, chairman, said the improvement, which raised group profits to almost three times their level two years ago, was achieved in a "particularly difficult year" in which cigarette sales volumes fell by almost 6 per cent.

Sales of higher-priced brands fell by 9.5 per cent – a trend which he said showed that little progress was being made in the fight against contraband.

Smuggled cigarettes are believed to take up to 12 per cent of the Spanish market, where Tabacalera has an effective distribution monopoly in the legal part of the business.

Gross revenues from sales of tobacco products increased, however, by 4 per cent to Pta658.7bn, reflecting a rise in prices as a result of higher tobacco excise taxes.

The group's move out of the food sector brought a 0.5 per cent reduction in overall group sales, net of value-added tax, to Pta779.1bn.

Tabacalera last year sold its troubled dairy arm La Lactaria Española to another Spanish dairy company for Pta4bn. It also reached agreement with BAT of the UK to sell its 50 per cent stake in a joint subsidiary for Pta1.1bn.

At parent company level, net profit was 8.4 per cent up at Pta10.79bn. This was after extraordinary losses of Pta5.57bn, reflecting the group's loss on its dairy divestment and the cost of a staff-cutting programme.

The relative weakness of the dollar against the peseta contributed to a 35.8 per cent rise in operating earnings to Pta16.96bn. Meanwhile, a reduction in the company's debt burden brought a 41 per cent cut in financial costs to Pta1.46bn.

In spite of Tabacalera's improved performance Mr Pérez, a Socialist political appointee, is expected to be replaced at the head of the group if the centre-right Popular Party wins the election.

Injection of new blood gives fillip to Fresenius shares

By William Cochrane

Old hands at the takeover game have been marvelling at the share price performance of Fresenius, the German pharmaceutical and medical systems products group.

Its preferred shares have leapt 85 per cent since February 4, when Fresenius and W.R. Grace of the US agreed to merge their dialysis treatment, products and technology businesses to form Fresenius Medical Care.

Before that, the more liquid preference shares had more than doubled in two years. They were the second-best performer in the FAZ index of 100 German stocks during 1995, after SAP, the computer software group.

Grace said at the end of last November that it was in talks with interested parties over the sale of National Medical Centers, the world's biggest chain of dialysis centres.

On February 2, Baxter International, the US healthcare group which was the inventor of dialysis treatment for kidney patients and is the largest supplier in the world, bid $3.8bn in cash and shares, publicly, for NMC.

Grace was not amused.

Fresenius was smaller than the two US groups. A couple of decades ago, when the financial engineering conventions of the time would have suggested a "reverse bid" for Grace, and much clearing up afterwards, the German company might have found itself unable to sustain its premium rating.

However, according to a recent note from Paribas Capital Markets, the German company was no tyro. It had embarked on an international expansion programme in the 1980s which led to penetration of the US, and numerous other growth markets such as India and China, where joint ventures were entered into in 1994.

Fresenius preference shares were the second-best performer in the FAZ index of 100 German stocks during 1995, after SAP, the computer software group

And financial engineering has moved on. Two days after the Baxter move, Fresenius and Grace announced the combination of the NMC and Fresenius world-wide dialysis businesses in a deal which would be preceded by a $2.3bn cash distribution to Grace, allowing the latter to buy back up to 20 per cent of its equity; Grace shareholders could also get 44.8 per cent of a new, US and Frankfurt-quoted company to be named Fresenius Medical Care, and preferred (profit-sharing) stock in FMC. Baxter pulled out last weekend.

Along with other refinements, the deal offered tax advantages to Grace and its shareholders. For Fresenius, the effects were not immediately calculable, but Ms Jadwiga Bobrowska, an analyst at Merck Finck in Düsseldorf, wrote after the deal that Fresenius's earnings, calculated under DVFA German accounting rules, could rise from DM3.95 a share in 1994, through DM5.42 and DM7.54 in 1995 and 1996, to DM13.80 in 1997.

When Ms Bobrowska penned this note, the preference shares were at DM160.10 and the price earnings ratio coming back from a 1994 historic of 40.5, to 29.5 on results which should be announced next month, and finally 11.6 on her 1997 estimates. Now, even the 1997 price earnings ratio is over 20 on that basis.

German equity investors love *phantasie*, a word which combines a good story with an appreciative, not too sceptical audience. The corollary, of course, is that when the story becomes fact, after a Fresenius EGM on April 11, speculators might be expected to sell.

However, Mr Roderick Hinkel, the German strategist at Paribas, is still hopeful. A current update to a mid-February note from the broker, which contained an earnings sequence broadly in line with the Merck Finck estimates, reckons that the Fresenius preference shares were still 35 per cent undervalued a couple of days ago. The price then was DM337, indicating a 12-month potential in the area of DM300.

INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Shares in Internet providers tumble

Shares of US Internet access service providers fell sharply early yesterday following AT&T's announcement on Tuesday that it would offer 12 months free Internet services to its telephone customers. Analysts downgraded several Internet stocks yesterday, citing prospects for an escalating price battle among companies that link home computer users to the global computer network.

Netcom On-line Communications, the leading provider of Internet access to US home computer users, was off $2 at $20% in mid-session. This followed a $5 drop on Tuesday. Since the AT&T announcement, Netcom is down more than 35 per cent. UUNet, another large Internet access service, saw its shares fall by $2¾ to $29¾, a 16 per cent drop since AT&T revealed its plans. PSINet was also hit hard, down $1¾ yesterday at $9¾ and down 21 per cent since Monday's close.

America Online, the leading online information service, which also provides access to the Internet for home computer users, was trading at $46 yesterday, down $3¾. It has dropped almost 15 per cent on the prospect of competition from AT&T. Netscape Communications, which will provide software to AT&T's new Internet customers, was trading at $51¼, down $2¼ at its lowest level since a two-for-one stock split earlier this month. *Louise Kehoe, San Francisco*

Wells Fargo deal cleared

Wells Fargo, the US bank, has reached agreement with the US Department of Justice and the Office of the Attorney General for California over divestitures connected with its proposed merger with First Interstate Bancorp. The sales involve 61 branches in California with about $2.5bn in deposits and $1.3bn in loans. Although widely expected, the divestiture was among the largest the Justice Department's antitrust unit has ever required. The Justice Department said the divestiture was needed to resolve concerns that the acquisition would reduce competition for banking services for small and medium-sized businesses in almost 30 separate markets. Wells Fargo said the sales were unlikely to have a material impact on the net income of the combined company. It added that talks between Wells Fargo and potential purchasers were under way. The merger is expected to be completed on April 1. *Reuter, San Francisco*

Otis Elevator shows growth

Otis Elevator, a unit of United Technologies of the US, said yesterday its 1995 worldwide revenues increased to $5.29bn from $4.64bn in 1994 and its operating income rose 21 per cent, to $511m from $431m in 1994. About 85 per cent of the company's revenues were generated outside the US while the Asia-Pacific region generated the most sales of new equipment. Otis said 1995 was its "most successful year ever". Mr Jean-Pierre van Rooy, president, said that for the immediate future it "expects continuing dramatic growth of our business in Asia-Pacific, strong profitability from our European operations and continuing recovery in North and South America". In North America, where business has been hurt by a construction industry downturn, Otis said it saw exceptionally strong gains in 1995. *Reuter, New York*

■ Columbia Gas System of the US is selling its Columbia Gas Development offshoot to Hunt Petroleum, a privately-held exploration and production concern. Columbia Gas Development is the company's Houston-based oil and gas exploration and production unit. Columbia said it would receive about $200m cash, plus an overriding royalty interest in certain oil and gas leases. *Reuter, Wilmington*

■ Canadian Pacific's Marathon Realty Co plans to sell its stakes in nine of the shopping centres that were transferred earlier this month to CP. The stakes will be sold to a third party. Marathon said it would also sell six office buildings. The moves are part of an asset sales programme because of the need to pay down debt. *Reuter, Toronto*

■ Coastal Corp, the US energy group, is seeking buyers for its coal operations, which had 1995 operating revenues of $459.6m and operating profits of $98.7m. Lehman Brothers has been retained as financial adviser on the sale. *Reuter, Houston*

Resistance to newsprint price rises

By Bernard Simon in Toronto

North American and Scandinavian newsprint mills have encountered strong resistance among customers to price rises which are due to take effect in April.

European publishers are also understood to be challenging increases that were put in place by some Scandinavian producers at the beginning of the year.

Newsprint prices have almost doubled since late 1993 and, until recently, they were largely unaffected by the slump that has hit other paper grades since last summer.

But Mr Bruce Kirk, analyst at SBC Warburg in New York, said: "I will put a bet that the price increase will largely not happen." A buyer at one European newspaper group added that "the word is going around that the market is softening".

North American mills are due to raise their list prices from US$825 to $875 on April 1. UPM, the big Finnish producer, is also trying to persuade customers to accept an increase following rises of between 4 per cent and 13 per cent by its European rivals in January.

Newsprint has so far been cushioned from the downturn in other paper markets by an absence of new capacity in North America, and by buoyant demand in east Asia and Europe. Most recently, the market has been supported by fears of a strike at Stone-Consolidated, one of the biggest Canadian producers, which unions have chosen as their primary target in labour contract talks.

But a growing number of newspapers have responded to the price spiral in 1994-95 by trimming newsprint consumption. For instance, they have reduced the web size of printing presses and turned to lighter paper grades. North American demand has been further dented in recent weeks by disappointing advertising lineage, reflecting the weak overall economy.

Mills as well as newspapers are offering surplus tonnage to brokers for disposal. Mr Leo Schenker, senior executive vice-president at Central National, a large US broker, said that "we can get more tonnage than our contracts, but not at bargain prices".

As a result, rising quantities of North American newsprint are finding their way abroad. According to Pulp and Paper Week, an industry publication, spot prices in Asia have tumbled by about 20 per cent since last autumn. Canadian producers are also understood to have stepped up exports to the UK.

The duration and extent of the downturn is expected to depend largely on economic conditions, especially in the US. Some analysts are optimistic that the US presidential election and the summer Olympics in Atlanta will revive demand in coming months.

US mutual funds again investing overseas

By Richard Waters in New York

Small US investors have rediscovered their appetite for foreign equities.

After a year in which share prices at home monopolised their interest, US mutual fund investors have turned their attention overseas again in recent weeks, particularly to the emerging markets of south-east Asia and Latin America.

The result has been a jump in the capital being exported by US fund managers, according to figures compiled by the Investment Company Institute, the mutual funds' trade association.

Net sales of shares in international equity funds to US investors jumped to $6.4bn during January – a level not seen since January 1994, and almost as much as the amount invested abroad during the whole of 1995.

To judge by the experience of some of the country's biggest fund groups, the demand for international shares has remained strong in February, though sales have not matched January's sudden explosion of interest.

Mr David Hale, an economist at Zurich Kemper Investments in Chicago, said mutual funds had proved the most fickle element in US international portfolio investment: the country's pension funds, by contrast, have invested a steady $35bn or so a year overseas in recent years. Their return to foreign investing, if sustained, could help to underpin the rebound in emerging markets this year.

Fidelity Investments, the biggest US mutual fund concern, said its international equity funds attracted $1bn of new money during January. During 1995, by contrast, a net $1.2bn had flowed out of the funds. Much of that new money is headed for south-east Asian markets, Fidelity added.

February has brought a slowdown, probably to around $270m of new money. Fidelity said – though that still represents a far greater interest in international diversification among small US investors than for some time.

Scudder Stevens, another funds group, also reported continuing interest in international funds during February. There had also been an increase in interest in European equities, it added.

The rebound in demand for foreign stocks among small investors suggests the sudden popularity of international investment in the second half of 1993 was more than a one-off event.

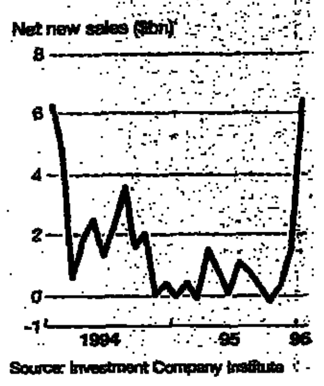
From a level of $5bn in 1992, the money pouring into international mutual funds soared to $26bn in 1993 and $27bn in 1994 before drying up again in 1995.

According to Mr Hale, the large industry that has developed in the US around foreign investment suggests that, whatever the short-term swings in demand, this will remain a long-term factor in mutual funds investment. "We never had this infrastructure for exporting capital before," he said. The Investment Company Institute currently tracks 378 mutual funds which invest exclusively in international equities, compared with only 24 a decade ago.

Despite signs that US investors have turned back to international diversification, money flooding into domestic equity funds also hit a new record during January. The funds made net new sales of $20.9bn, almost four times the level of January 1995, according to the institute.

The new cash, and the continuing rise of the US stock market, pushed the total value of all US mutual funds up to $2,924bn at the end of January, compared with $2,203bn a year before.

International equity funds



Source: Investment Company Institute

Coca-Cola Femsa lifts Argentine stake

By David Pilling in Buenos Aires

Coca-Cola Femsa, the Mexican bottler, has injected $121m into its Buenos Aires operations, Coca-Cola Femsa de Buenos Aires (Kofba), raising its stake from 51 per cent to 75 per cent.

The deal will help to finance the recent $56.5m purchase by Kofba of San Isidro Refrescos, the Coca-Cola franchisee for one of the Argentine capital's wealthiest suburbs. It also includes a $22.1m share purchase from The Coca-Cola Export Company, which holds the remaining 25 per cent of Kofba.

Coca-Cola Femsa, which entered the Argentine market in September 1994 when it paid $94.5m for 51 per cent of the Buenos Aires bottler, retains a two-year option to buy the reaming quarter of Kofba. Analysts expect it to exercise this option next year.

The move demonstrates Coca-Cola Femsa's commitment to Argentina despite last year's recession which saw soft-drink sales drop an estimated 12 per cent. Although sales are only expected to bounce back by about 4 per cent this year, analysts believe Argentina remains an attractive market. Argentina's 33m people are among the world's highest per capita consumers of cola.

Mr Enrique Klix, beverage analyst at Kleinwort Benson, said the deal should enable costs to be reduced as Coca-Cola Femsa consolidated its control of the bottling operations. Coca-Cola Femsa was seeking to break its dependence on the Mexican market and was banking on the medium-term strength of Argentina's soft-drinks market, he said.

● Danone, the French food conglomerate, has taken a 40 per cent stake in Argentine mineral water company Villa del Sur. The price was not disclosed. Villa del Sur controls 38 per cent of the $250m mineral water market.

US West brings new guest to the Time Warner party

$11bn takeover of Continental Cable enhances telecoms group's potential, reports Christopher Parkes

US West has changed its tune since last year when it blew the whistle on the proposed merger of the US entertainment and media giants Time Warner and Turner Broadcasting System.

The Colorado-based Baby Bell telephone company paid $2.5bn for a 25.5 per cent stake in Time Warner's TWE cable TV division in 1993. Fearing that it might lose management influence as a result of the proposed TBS merger deal, US West issued a legal challenge.

But everything is different now, following US West's $11bn move this week to take over Continental Cablevision – the third biggest US cable company – and so bring rather more to the TWE party than just its know-how in running a telephone business.

On Tuesday morning, even before US West and Continental executives had a chance to air their expectations, Mr Gerald Levine, president and chief executive of Time Warner, no less, was on the line faxing his unequivocally sunny forecast.

"The strategies of US West . . . Continental Cablevision and Time Warner cable are virtually identical, thus creating the potential for further affiliating these well-positioned [cable and telecoms] systems in future," he said.

As Continental and US West Media executives made plain at their celebratory press conference, the newly-configured partners now had more fruitful ways of spending their time as a *ménage a trois* than swapping writs.

Deregulation in the telecoms sector and relaxed controls over the cable industry have recently transformed the landscape of the US electronic communications market. Broadcasting, cable, long-distance and regional telephone companies may now operate freely in one another's markets.

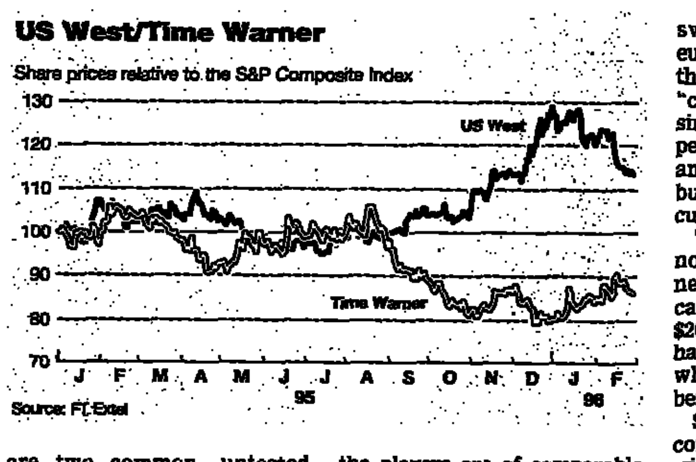
There are obvious mutual advantages in the US West-Continental strategy.

The principal benefits for both sides include access to management expertise and proven, branded products in service sectors which – despite the similarity in delivery methods – are by temperament as different as Tom and Jerry.

But underlying all the discussions of the potential for telecoms, broadcast and cable within one another's markets are two common, untested assumptions.

US West/Time Warner

Share prices relative to the S&P Composite Index



Source: FT Extel

The first is that there is sufficient potential in the sector as a whole to ensure continued profits growth, not only for established players but also for emerging direct broadcast satellite and so-called "wireless cable" providers, which are making rapid inroads into television programme distribution. They are threatening to do the same in telephony and other digital services.

The second is that the level playing field provided by the regulators is a benefit only if the players are of comparable weight.

As Mr Amos Hostetter, co-founder of Continental, said last year, his company was only a tenth the size of the average regional Bell operating company. While Continental's cabled areas were counted among the most efficiently grouped or "clustered" in the US, in one of its main markets – New England – it was dwarfed by Nynex, the dominant telephony carrier by a factor of 50 to one, he said.

Mr Hostetter also demonstrated some reluctance to be swept along by certain euphoric assessments of where the market was headed. The "communications revolution" simply was not going to happen if, in economic terms, it amounted merely to redistributing the volume of business currently available, he said.

Telephone companies could not justify the investment needed to win a share of a cable TV sector worth some $20bn in annual sales. "You have to think in terms of a whole range of services not being bought today," he said.

Speaking from the relatively comfortable position of one with extensive, high-capacity fibre-optic and coaxial cable connections, he claimed phone companies would need to add between $50bn and $100bn of new video and broadband services to the existing mix to make the "revolution" pay.

Other recent connections in the sector – including AT&T's stake in the DirecTV satellite broadcasting concern, and the link between MCI Communications and News Corporation for a joint venture – have been made on the assumption that filling up to 400 channels with saleable services will not present any problems.

Many have set up joint ventures with creative services experts such as talent agencies and with software companies which are leading the search for ways of broadening the appeal of the Internet and developing interactive products to sell both to consumers and business.

Scepticism is certainly rife among the hard-heads of the television business that there is much scope for new-fangled interactive consumer offerings.

Mr Stanley S. Hubbard, a TV veteran and DBS pioneer proclaimed two weeks ago that the telephone companies were being made the willing dupes of "silicon snake-oil" salesmen. "People have no interest in interactivity. They interact all day and they don't want to do it at home," he said.

For US West, which now seems increasingly likely to stay hitched with Time Warner – the world's biggest media and entertainment group – the creativity gap suddenly seems a far less pressing concern than for others in the plain old telephony business.

INTERNATIONAL COMPANIES AND FINANCE

Fletcher Challenge to split in three

By Terry Hall in Wellington

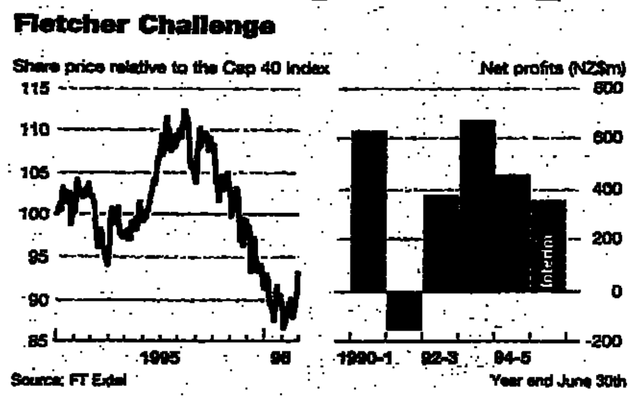
Fletcher Challenge, the New Zealand forestry and resources group, is to split itself into three new companies, each with stock exchange listings in New Zealand, Australia and New York. Existing shareholders will receive free shares in Fletcher Challenge Paper, Fletcher Challenge Building, and Fletcher Challenge Energy.

The company said the move was designed to allow portfolio investors to focus investments on specific parts of Fletcher Challenge's worldwide operations. It follows the successful float of a specialist forestry division two years ago.

Under the capital restructure the present Fletcher Challenge Ordinary Division share will cease to be traded on March 22, although the existing parent holding company will continue to manage the various companies.

Fletcher Challenge

Share price relative to the Cap 40 Index | Net profits (NZ$m)



Source: FT Extel | Year end June 30th

Mr Hugh Fletcher, chief executive, said the decision followed soul searching by directors who had become dismayed at the poor performance of the Ordinary share price, which has been trading well below the valuation placed by analysts on its component parts. Yesterday the shares were trading at NZ$3.38, compared with analysts' valuation of NZ$4.15.

Mr Fletcher said the changes involved no cash demands or tax liabilities, and would lead to lower borrowing costs because lenders would retain access to diversified cash flows. The dividend policies would see 30 per cent of earnings flow to the paper division, 60 per cent to building division and 10 per cent to the energy division.

The announcement came on the day Fletcher Challenge announced consolidated earnings of NZ$360m (US$243m) for the six months to December 31 compared with NZ$176m for the year-ago period. There were no abnormal items.

The Ordinary division doubled net earnings from NZ$141m to NZ$283m, while Fletcher Challenge Forests advanced from NZ$22m to NZ$48m.

The Ordinary shares dividend is raised from 6.25 cents to 8.5 cents, and the Forests dividend is unchanged at 3 cents.

Israeli telecoms group at record

By Avi Machlis in Jerusalem

Bezeq, Israel's state-owned telecommunications group, yesterday reported record annual net profits up 60 per cent from Shk314.1m last time to Shk566m ($182m).

The improved results came as government officials said six consortia had registered to bid for a tender which closed yesterday to compete against Bezeq in providing long-distance telephone services.

Bezeq said net profits in the fourth quarter to December 31 1995 jumped 36 per cent – to Shk163.9m – compared with the same quarter a year ago. Revenues declined slightly in the quarter, from Shk2bn to Shk1.8bn, but annual revenue rose 9.7 per cent from Shk6.5bn in 1994 to Shk7.2bn in 1995.

Bezeq said the sharp increase in profits was a result of the rapid expansion in Israel's cellular telephone market.

Reduced rates for telephone calls imposed on the company by government were offset by growth in the scope of local and international activity.

However, Bezeq's revenues are likely to be hit in 1996 by the opening of the international telephone sector to competition. A sixth consortium, including US operator Bell South, the Brazil-based Safra banking group, Israel's Discount Investment Corporation and Teleglobe of Canada yesterday registered to participate in the tender.

A government committee will review the bid over the next nine months and award two licences to compete with Bezeq in international phone services.

Bezeq, however, has won several substantial contracts to participate in India's ongoing telecommunications expansion.

The Israeli group is slated for privatisation but a planned global public offering of 25 per cent of the company was cancelled last year after Cable and Wireless of the UK quietly brought up 10 per cent of the company on the Tel Aviv stock exchange. Bezeq shares closed up 2 per cent in Tel Aviv yesterday at Shk8.91.

Thai bank shares shake off doubts

By Ted Bardacke in Bangkok

Shares in two of Thailand's largest commercial banks, Bangkok Bank and Thai Farmers Bank, steadied after a three-day slide as investors warmed to the details of their surprise announcements of capital increases.

Last week, Thai Farmers Bank announced it would raise its registered capital by Bt2.2bn to Bt10bn ($397m) through an issue of new shares and warrants.

Some 20m new shares will be sold to the public at market price, while current shareholders will be eligible to purchase warrants for Bt25 in a ratio of one warrant for every eight shares held, for which 100m new shares would be reserved.

The bank is also planning to issue debentures worth Bt5.5bn. The total capital increase would amount to about Bt11.6bn, or just over 20 per cent of total equity.

At the same time, Bangkok Bank announced it would launch subordinated convertible debentures, or Tier 2 capital, worth up to $400m with maturities not exceeding 10 years. Some 50m new shares would be allocated for potential conversion of debentures.

As these two banks have some of the largest capital adequacy ratios in the industry, shareholders and analysts were surprised by the announcements. Concern about the dilutive effect on earnings was paramount and apparently the market had failed to discount that a market recovery in Thailand would bring with it a slew of capital raising schemes.

But initial calculations have shown that dilution will be slight, and for Thai Farmers the capital-raising exercise could be anti-dilutive as the Bt200 exercise price of the new warrant is at a premium to the current market price, according to brokers H.G. Asia.

The attractiveness of the new warrants is so strong that the price of outstanding warrants, which have an exercise price of Bt188, has tumbled 13 per cent since last Wednesday.

Thai Farmers' shares closed Bt4 lower at Bt228 and Bangkok Bank was off Bt3 at Bt186. This follows heavier falls over the past three trading days.

Japanese banks detail write-off forecasts

By Emiko Terazono in Tokyo

Two Japanese banks yesterday released details of the losses they expect to announce for the current full-year as a result of writing off bad loans.

Many of Japan's banks are expected to post losses in the current business year, largely as a result of bailing out the country's bankrupt housing loan companies.

Fuji Bank, a leading commercial bank, said it would post recurring losses – before extraordinary items and tax – of Y440bn ($4.21bn) and net losses of Y400bn in the year to March. However, it hoped to raise Y50bn by realising profits on its property holdings. The bank said it would sell its Osaka branch building and other assets to Nihonbashi Kogyo, an affiliate, which would then lease the buildings back to Fuji Bank.

Tokai Bank, another commercial bank, said it would incur a recurring loss of Y340bn for the year to March, its first deficit since 1946. The bank said it would write off Y800bn in loans to the financially ailing housing loan companies – which are likely to be liquidated – and non-bank financial institutions during the 1995-96 year.

Tokai said its net loss would total Y350bn, and added that it would cut the annual dividend by Y2 per share to Y5.5. The bank planned to forgo bonus payments to executives and to implement a restructuring programme which would include a pay freeze and redundancies.

The bank plans to issue preferred shares in April to increase its capital which will be depleted by the write-offs.

● Standard and Poor's, the US credit rating agency, yesterday announced that it had placed Industrial Bank of Japan's long term debts, currently rated at A plus, on credit watch for a possible downgrade. The agency said the move refected its heightened concern over the bank's asset quality in light of the very large expected write-offs of its exposure to the housing loan companies.

Indosat forecasts slowdown this year

By Manuela Saragosa in Jakarta

Indosat, Indonesia's state-controlled satellite telecommunications company, expects net profit to rise by between 8 per cent and 10 per cent this year, compared with last year's 59 per cent increase.

The company, which made its announcement yesterday to Indonesia's parliament, implied the slowdown in profit would be caused by slower growth in international telephone traffic which it saw increasing by between 13 per cent and 15 per cent this year. International telephone traffic increased 19 per cent last year.

The slowdown in growth had been predicted by analysts who expect Satelindo, a rival international telecoms services provider in which Indosat has a minority stake, to increase its market share this year.

Growth in net income is also expected to slow as Indosat's net interest income declines. Indosat said yesterday it aimed to spend Rp560bn ($244m) on international telecommunication facilities, participation in joint operating schemes and other projects supporting its core business.

Cash for these investments will come from funds the company raised in 1994 when it was partially listed in New York and Jakarta. At that time, Indosat placed a large slice of the money raised in time deposits, which helped bolster its net income figure last year to Rp459.4bn.

Separately, PTT Netherlands was named a front runner to replace a Malaysian company in a consortium to set up a new telephone network in Indonesia's Kalimantan island.

If successful, the deal would mark PTT's second venture into the Indonesian telecoms market in the past month.

PLDT blames flat result on labour and currency costs

By Edward Luce in Manila

Philippine Long Distance Telephone Company (PLDT), the privatised national carrier and the most traded Philippine ADR in New York, yesterday reported almost flat profits in 1995, blaming labour costs and currency problems.

The disappointing 2.6 per cent net profit rise to 4.9bn ($187m) pesos was partly disguised by an 18 per cent growth in non-recurring profits after the dilution of PLDT's stake in Piltel, its mobile phone subsidiary, at the cellular operator's IPO last year. The IPO netted PLDT 1.3bn pesos.

PLDT said a 25 per cent across-the-board pay rise for its employees, plus the rising costs of the company's Zero Backlog expansion programme (a government mandate to install 2.63m new telephone lines before 2000), had pushed expenses up faster than profits.

Operating costs rose 18.4 per cent to 16.8bn pesos while operating revenues grew 13.5 per cent to 25.2bn pesos. Earnings per share before unusual items fell 9 per cent to 69.6 pesos. Yesterday's results were already discounted, and the company's shares closed 25 pesos higher at 1,575 pesos.

"These are poor results but they were not unexpected," said Mr Alex Pomento, an analyst at Barings Philippines in Manila.

"Apart from the currency problems PLDT also suffered from moving to international accounting standards last year which affected tax payments. We expect earnings growth this year to be more like 20 per cent."

The company said the poor growth resulted from a rise of only 9 per cent rise in international telephone revenues, which make up 60 per cent of PLDT's overall revenues, and the depreciation of the peso which ate into the company's dollar earnings.

Analysts, however, were bullish on PLDT's medium term prospects, citing the expected benefits of the rapid fixed-line expansion plan and improvements on labour productivity.

PLDT posted a non-recurring loss of 520m pesos last year in redundancy payments to 960 employees. The programme of job cuts is expected to continue.

Analysts said the replacement of the 3 per cent franchise tax with a 10 per cent value added tax last month would also widen margins because PLDT can pass the new charges directly on to the consumer. At a p/e of 19, PLDT's shares are in line with the composite average but considered a good medium term investment.

ASIA-PACIFIC NEWS DIGEST

Giordano shares suspended in HK

Shares in Giordano International were suspended yesterday as the Hong Kong Stock Exchange sought clarification concerning the sale of shares in the company by Mr Jimmy Lai, the founder of the fast-growing clothing retailer.

A placement of Mr Lai's remaining 27 per cent stake in the company, with an estimated value of about US$180m, was launched on Tuesday in London and New York. Placements are also due in Tokyo, Hong Kong and Singapore.

The stock exchange said the suspension followed an earlier statement by Giordano indicating the local placement was not under way. The suspension would last until the company had issued a statement clarifying the situation. Mr Lai, who had cut his stake in the clothing company from 36.4 per cent last October, appears to be raising funds to buttress his media interests, which face a price war in the Chinese-language newspaper and magazine market. *John Ridding, Hong Kong*

Optus announces first profit

Optus, the Australian telecommunications group which plans to float its shares this year, yesterday announced its first profit – a pre-tax surplus of A$7.1m (US$5.4m) in the six months to end-December, compared with a A$26.4m loss in the same period of 1994-95. The company, established four years ago, said its earnings before interest payments and depreciation rose to A$189.5m, compared with A$57.9m last time. Revenues were up 42 per cent, to A$906m.

However, the figures do not incorporate results from Optus' interest in Optus Vision, the cable operator, which is now laying its network, over which Optus hopes to eventually deliver local telephony services. Optus said that under an equity accounting system, its share of associated companies' operating losses would be A$16.5m. Its total investment in Optus Vision is put at A$222.3m.

The company remained vague about the timing of its stock market float. It is looking for a new chief executive after the departure of Mr Bob Mansfield to the Fairfax newspaper group - an appointment which is a pre-requisite to the launch. Optus is owned by a mixture of Australian institutions and foreign and domestic corporate investors – including Cable and Wireless of the UK. *Nikki Tait, Sydney*

Bridgestone makes solid advance

Bridgestone, the Japanese tyremaker, posted a 28 per cent rise in consolidated profits last year, helped mainly by strong demand in overseas markets. The company, which owns Firestone of the US, enjoyed brisk sales in Europe, Asia and the Middle East, which boosted overall sales nearly 6 per cent from Y1,595.1bn to Y1,686.6bn ($16.14bn) in 1995.

The strength of overseas demand lifted production to a record 520,000 tonnes. The higher production level meant that capacity use improved, which in turn helped to increase recurring profits – before extraordinary items and tax – by 28 per cent from Y76.6bn to Y98.2bn, the company said. Net profits surged from Y40.9bn to Y68.2bn.

Next year, Bridgestone expects recurring profit of Y120bn on sales of Y1,750bn, largely because of the yen's weakening against the US dollar. Bridgestone depends on exports for almost 50 per cent of its sales by volume. Net profits are forecast at Y70bn. *Michiyo Nakamoto, Tokyo*

Wing Lung Bank ahead 19%

Wing Lung Bank, a Hong Kong retail bank, yesterday reported a 19 per cent rise in after-tax profits, from HK$611.4m in 1994 to HK$729.5m (US$94.4m) last year, and revealed a revaluation of its investment properties which added a surplus of HK$1.76bn.

The bank made no transfers to either general reserves or inner reserves in 1995, both of which were topped up the previous year. Inner reserves at January 1 1995 were HK$470m. The results are in line with the trend for banks in the colony, which have managed better than expected growth in the face of increased competition, narrowing interest spreads and an economic downturn. Last year the bank's total deposits grew by 17 per cent to HK$32.4bn and total advances increased by 20 per cent to HK$18.9bn. *Louise Lucas, Hong Kong*

Samsung Heavy Industries falls

Samsung Heavy Industries, South Korea's third largest shipbuilder, reported that 1995 net earnings fell by 43 per cent to Won41.2bn ($55.9m) because of high depreciation and financing costs associated with the construction of a new 1m gross tonne dry dock. Foreign exchange losses resulting from the high yen also contributed to the profit decline. Sales rose by 45 per cent to Won2,900bn. *John Burton, Seoul*

Ampolex snubs Mobil move

Ampolex, the Australian energy group which the subject of a hostile A$1.24bn (US$941m) bid from Mobil of the US, said yesterday it had received a formal offer document and still viewed the takeover as "clearly inadequate". Ampolex said it was asking Morgan Stanley and Macquarie Bank to consider "strategic alternatives to maximise shareholder value". *Nikki Tait*

Goldfields in black at halfway

Goldfields, the newly-incorporated Australian company which took over the goldmining assets of Renison Gold Fields and Pancontinental Mining, yesterday announced an after-tax profit of A$4.31m (US$3.27m), on revenues of A$110.5m for the six months to December 27. Pancontinental's gold operations were consolidated from June 5. *Nikki Tait*

LEGAL NOTICES

The Insolvency Act 1986
UK NORTHERN INDEPENDENT INTERMEDIARIES LIMITED
NOTICE IS HEREBY GIVEN that a meeting of creditors in the above matter is to be held at The Moat House Hotel, Higher Bridge Street, Bolton on the 29th day of February 1996 at 12.00 noon. To consider my proposals under s.23(1) of the Insolvency Act 1986 and to consider establishing a Creditors committee.
In order to be entitled to vote at the meeting you must give to me details in writing of your claim, including any calculation for the purposes of Rules 2.24 to 2.27 of the Insolvency Rules 1986, or a proxy has been lodged with me which you intend to be used on your behalf, not later than 12.00 noon on the business day before the day fixed for the meeting.
Dated 27th February 1996
G N RATCLIFFE, The Administrator
Peel House, 2 Chorley Old Road, Bolton, BL1 3AA

PERSONAL

To the holders of A shares in Tele Danmark A/S

Notice of the redemption of A shares

Pursuant to Sections 8 and 8a of the Act No 501 of 22 June 1995 to Regulate Certain Aspects of the Telecommunications Sector, the right to redeem all privately held A shares in Tele Danmark A/S will be exercised with effect from 1 March 1997.

In that connection notice is hereby given concerning the redemption of all privately held A shares in Tele Danmark A/S with effect from 1 March 1997. The A shares will be redeemed at a price of DKK 125 per share, free of charge for the shareholders.

The private holders of A shares will receive dividend for 1996 and proportional dividend for two months of 1997 in accordance with the resolutions passed at the Annual General meetings of Tele Danmark A/S to be held in 1997 and 1998.

Copenhagen, 29 February 1996

Ministry of Research and Information Technology

This formal notice is issued in compliance with the requirements of and has been approved by the London Stock Exchange. Application has been made to the London Stock Exchange for all the 'C' Shares of The Scottish Asian Investment Company Limited ("the Company") now being issued to be admitted to the Official List. A prospectus relating to the Company in accordance with the listing rules made under Section 142 of the Financial Services Act 1986 ("the FSA") ("the Prospectus") which has been published on 28 February 1996 contains full details of the business of the Company.

The Company is offering up to 50,000,000 'C' Shares by way of a Placing and Open Offer at 100p per Share, payable in full on application. Neither the Placing nor the Open Offer have been underwritten and both are conditional on at least 15,000,000 'C' Shares being subscribed, the passing of Special Resolutions of the Company, an Extraordinary Resolution of Warrantholders, on the giving of consent by the holders of Management Shares and on the listing of the 'C' Shares on the London Stock Exchange.

THE SCOTTISH ASIAN INVESTMENT COMPANY LIMITED

(Incorporated under the laws of Jersey, No. 46480. Registered address: PO Box 83, Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW.)

The Scottish Asian Investment Company Limited is an investment trust which invests in equity or equity-related securities in Asia (excluding Japan and Australia).

Placing and Open Offer

sponsored by

SBC Warburg

of up to

50,000,000 'C' shares of £1 each

at 100p per 'C' Share

payable in full on application

Each 'C' Share will convert into New Shares on the Conversion Date which will not be later than 30 June 1996

Copies of the Prospectus will be available during normal business hours on any weekday (Saturdays and bank holidays excepted) from the date of this notice up to 12 noon on 25 March 1996 from the registered office of the Company and:

Murray Johnstone Limited, 7 West Nile Street, Glasgow G1 2PX

SBC Warburg, 1 Finsbury Avenue, London EC2M 2PP

Copies of the Listing Particulars may be obtained during normal business hours by collection only from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2 up to and including 4 March 1996.

28 February 1996

Banana skins of 1980s left behind in 30% rise to £661m

New strategy helps StanChart

By George Graham,
Banking Correspondent

Standard Chartered, the international banking group, yesterday demonstrated that it had left behind the banana skins of the 1980s by announcing a 30 per cent increase in 1995 pre-tax profits to £661m ($1.02bn).

Since the installation of new management three years ago, Standard has dramatically scaled back its aspirations in investment and commercial banking in the OECD countries, concentrating instead on its traditional franchise in Hong Kong and the Asia-Pacific region.

That paid off in 1995. Hong Kong and Asia-Pacific each contributed a third of group profits. With retail banking markets now opening up in countries such as Indonesia, India and Taiwan, the group believes it has substantial growth prospects.

"The prospects are just gigantic," said Mr Patrick Gillam, chairman.

Standard's position contrasts sharply with that of the main British banks, which have reported 1995 results recently.

The UK banks have delivered between 10 and 16 per cent earnings growth, with returns on equity in excess of 18 per cent, but they are operating in a competitive market with difficult prospects for growth.

Standard Chartered's profits exceeded analysts' forecasts, but some still expressed disappointment at the the 11p dividend – a mere 38 per cent increase, whereas some investors had hoped for 50 per cent.

Costs edged up by 3 per cent to £1.06bn after dipping in 1994, but revenues increased by 8 per cent to £1.79bn.

Mr Peter Wood, finance director, said the increase in costs was "not the beginning of a trend, and we can see clearly how costs will be held flat again in 1996."

Return on equity climbed to 28 per cent, compared with 24 per cent in 1994 and 21 per cent in 1993.

Profits were helped by a drop in net new provisions for bad debts to £72m, against £122m in 1994 and £238m in 1993.

Investment banking provided one gloomy spot, with losses increasing from £17m to £20m, but Standard has now agreed in principle to sell its Hong Kong securities business.

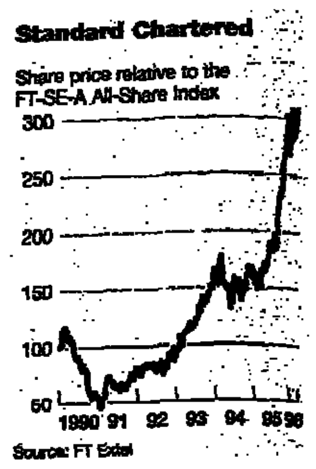
Trevor Humphries

Patrick Gillam: Asia-Pacific growth prospects are gigantic

LEX COMMENT

StanChart

Standard Chartered's meteoric share price rise last year had much to do with takeover speculation, but the company yesterday delivered more than enough earnings growth to justify its re-rating. It revealed an appealing combination of higher revenues, tight cost control and a 28 per cent return on assets. And with costs forecast to remain flat this year, against a background of further loan growth, the outlook is positive. Standard's management is gradually eroding its reputation for loose control of a geographically sprawling business and it has substantially reduced the risk profile. Standard has no outstanding commercial property loans and is instead focusing on consumer and trade finance businesses. Investment banking remains a problem, but ambitions have been scaled back and losses will follow suit.



Source: FT Extel

Exposure to Hong Kong's volatile property market is increasing, but the mortgaged assets are worth double the value of the loans, and property prices there are rising.

On a forecast of £810m profits for 1996, the shares are trading on a price-earnings multiple of 11.6. This is a premium to the banking sector, but a premium is deserved. With its exposure to fast growing Asia Pacific markets, revenue growth and returns on capital will outstrip UK rivals, and there is no evidence of greater risk.

Hong Kong's banks trade at a substantial premium to Standard, despite the lower rating of the Hong Kong stock market. Standard's re-rating should have further to go.

Sceptical market waits for a deal to be delivered

Kvaerner shares fall on bid doubts, writes **Christopher Brown-Humes**

Whatever the strategic wisdom of Kvaerner's approach to Trafalgar House, it is clear the market is sceptical. Kvaerner's A shares dropped 5.6 per cent yesterday to NKr202.

One analyst said market wariness was understandable after the group's failed £360m hostile approach to Amec last year. "There is a general scepticism about Kvaerner's management. They have to prove they can deliver deals, not just make attempts," said one Oslo-based analyst.

The worries go deeper than this, as is shown by the heavy fall in Kvaerner's share price since its mid-1994 peak of NKr380.

The company's credibility has been undermined by its failure to meet profit forecasts and its inability to generate a profits momentum outside shipbuilding, where it is the European leader. The group has had to issue profits warnings for both its oil and gas and pulp and paper businesses after being over-optimistic about prospects. Even shipbuilding is causing concern, despite its very strong performance in 1995, because the group's order book is falling and margins are under pressure.

Markets have also been unsettled by the apparent speed at which Kvaerner is trying to expand since Mr Erik Tonseth, chief executive, indicated last autumn that the company had the financial muscle to double its size by 2000.

Last November came the Amec bid. Last week it bought Tampella Power of Finland and a big stake in its parent, Tampella Corp. This week it turned its sights on Trafalgar House.

Uncertainty has been increased because it seems Trafalgar was Kvaerner's second choice, after Amec, and because it is not clear what the group might buy.

Ironically, Kvaerner's broader objectives of expanding internationally, balancing its big shipbuilding operations, and gaining increased muscle in its core activities are generally applauded. The group aims to be dominant in areas where it is active – a position already achieved in shipbuilding, hydropower and fibre pulping.

The Tampella purchase shows this strategy in action. It will make Kvaerner the world's leading supplier of chemical recovery plants, evaporators and power generation boilers for the pulp industry.

In the past, Kvaerner has proved astute at buying loss-making businesses and turning them round. It bought Masa Yards, the Finnish shipbuilder, for NKr700m in 1991, after the bankruptcy of its former owner, and has made it highly profitable. It acquired the East German yard at Warnow on very attractive terms. Even Kvaerner Govan, the least successful of the group's big shipbuilding purchases, is making profits.

Others argue that the easy money has been made at Masa Yards and with orders now easing and the Finnish markka strengthening, harder times are ahead. This will test Kvaerner's ability to maintain shipbuilding profits at a time of intense competition for orders from Japanese and South Korean yards.

Analysts say uncertainty was a key reason for the fall in Kvaerner's share price yesterday. The group has not said which bits of Trafalgar it wants to buy, nor how it will fund any purchase. Most assume the group wants Trafalgar's offshore and engineering businesses, housed within Davy and John Brown, and that it is not interested in the Cunard cruise shipping operation. Whatever happens, Kvaerner can ill afford a second successive rebuff if its ambitions to expand internationally via the UK are to remain track.

DIGEST

Sema up 25% on outsourcing rise

Strong growth in the systems integration and outsourcing business, particularly in the defence, finance and telecommunications sectors, helped Sema, the Anglo-French computing services group, raise pre-tax profits by 25 per cent last year.

Mr Pierre Bonelli, chief executive, said the year was marked by "an excellent trading performance" and by a number of strategic investments which are expected to contribute significantly to growth and profitability.

While the core systems integration and consultancy business grew by 5.3 per cent, its outsourcing operations, buoyed by the recent acquisition of a 40 per cent stake in TS FM in France, grew by 29 per cent. *Paul Taylor*

Glaxo Italian sale

The Italian subsidiary of Glaxo Wellcome, the drug company, has completed its restructuring by announcing a management buy-out at one of its three manufacturing plants. Following Glaxo's takeover of Wellcome last year the Italian offshoot needed to rationalise production and cut 450 jobs by 1997, as part of the worldwide loss of 9,000 jobs.

Mr Gian Pietro Leoni, chairman of Glaxo Wellcome, Italy, said it decided to retain the former Glaxo plants at Verona and Parma, both in northern Italy, and to dispose of the former Wellcome concern at Pomezia, south-west of Rome, valued at L22bn. *John Simkins in Milan*

Videologic to raise £4.8m

Videologic, the specialist multimedia hardware group, is raising about £4.8m ($7.39m) net through a placing of 6.94m new ordinary shares by SBC Warburg at 70p. In December, when the group announced interim pre-tax losses of £3.59m (£3.75m) it said it might need to raise about £5m to help sales of its GrafixStar and PowerVR products.

Alliance Resources $2.4m loss

Alliance Resources, the US oil and gas group, reported an increase in its pre-tax loss from $196,000 to $2.39m for the six months to October 31, but said that since December progress had been made on several fronts. Turnover in the period advanced to $1.55m ($647,000) from 540 barrels of oil equivalent per day, reflecting the acquisitions of Source Petroleum and Nagit.

Operating costs of $4.17m ($997,000) included $499,000 for professional fees in connection to the action against Mr John O'Brien, its former chief executive.

Scottish Asian raising £50m

Scottish Asian Investment Company has launched a C share issue to raise up to £50m. Up to 11.4m C shares are available at 100p each by way of an open offer on the basis of one C share for every two participating shares and five C shares for every two warrants. A further 38.6m C shares will be placed at the same price by SBC Warburg.

Tiny maintains his Lonrho tradition

By Kenneth Gooding,
Mining Correspondent

Mr Tiny Rowland continued his bizarre tradition of not speaking at annual meetings of Lonrho, the conglomerate he founded, by having two other shareholders ask questions on his behalf yesterday.

Even more bizarrely, only one of these spokesmen joined Mr Rowland in voting against the re-election of Mr Dieter Bock, Lonrho's chief executive and Mr Rowland's arch rival. They were the only two, among more than 1,000 shareholders present, who voted against Mr Bock's reappointment.

The feud between Mr Rowland and Mr Bock resulted in Mr Rowland being fired from the Lonrho board last March.

Through his spokesman, Mr Rowland once again raised his most recent criticism – that Mr Bock had little time for his duties at Lonrho because of other commitments. He asked how many hours a week Mr Bock spent on Lonrho business.

Sir John Leahy, the former diplomat who is now Lonrho's chairman, put all his experience and training to work during the 1½-hour meeting but showed a little impatience with this line of questioning and snapped back: "If you think I am going to clock Mr Bock in and out of his office, you are mistaken."

He pointed out to some applause that, since Mr Bock became Lonrho's chief executive, profits had risen from £59m to £151m and the share price had gone up from 75p to 192½p – "not bad for a man Mr Rowland calls our busy chief executive".

Mr Rowland's "fan club", who used to pack the annual meetings and show their adoration, has certainly shrunk in size. One shareholder said yesterday: "Mr Rowland deserves great credit for building up Lonrho but Mr Bock has shown the real value of the company."

The biggest round of applause came for the shareholder who said he felt "great sadness about two major figures in this company sniping at one another."

Hanson in $500m US forestry disposal

By Deborah Hargreaves

Hanson, the industrial conglomerate, yesterday sold a large portion of its Cavenham Forest Industries subsidiary in the US to Weyerhauser, the forest group, for $500m (£325m).

This marks the company's first disposal since it revealed plans last month to break itself up into four separate divisions.

Hanson said last December that it would sell all Cavenham's US forest and saw mill assets, as well as float its US Suburban Propane company, in order to raise £1.5bn and reduce debt.

Mr William Landuyt, chief executive of Hanson Industries, said yesterday's sale put the company ahead of schedule for its disposals.

"We now believe total proceeds will comfortably exceed our initial estimates," he said.

The sale consists of 661,200 acres of pine forests in Louisiana and Mississippi and four saw mills. It leaves the company with about 750,000 acres of valuable hemlock and fir forests in the north western US, one independent saw mill and a further 300,000 acres of south eastern US forest to sell.

"Hanson seems to be getting a good price for these, which are Cavenham's least attractive properties, and should beat its target of £1.5bn for the whole sale," said Mr Paul Beaufrere, analyst at the UK stockbrokers, James Capel.

The City was unmoved by the sale, as it fell in line with expectations.

Hanson's shares, which have fallen 9 per cent since the demerger was announced, were unchanged yesterday at 186p. A 75 per cent stake in Suburban Propane, the US gas company, is expected to be floated within the next two weeks, bringing about £500m. Hanson wants to reduce its heavy borrowings of £4.7bn to £3bn in the demerged company.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alliance Res ■	6 mths to Oct 31	1.55	(0.647)	2.39L♠	(0.196L)	0.5L	(0.1L)	-	-	-	-	-
Assoc Brit Ports	Yr to Dec 31	235.9	(228.3)	88.4	(80.3)	17.5	(16.4)	3.5	Apr 25	3.5	6.5	5.5
BICC	Yr to Dec 31	4,362	(3,973)	67L♠	(131)	37.1L	(19.6)	8.5	July 1	8.6	12.5	14.6
Capital Shopping	Yr to Dec 31 ☆	103.7	(66.6)	48.4	(28.1)	10.7	(8.3)	4	May 8	5.25	7.5	5.25
Corporate Services	Yr to Dec 31	133.2	(83.2)	8.37	(3.26)	10†	(6.1)	2.5	May 24	2	3.5	2
Gest (SR)	6 mths to Dec 31	73.6	(73.9)	2.8	(2.73)	4.7	(4.7)	1	May 10	1	-	3.5
Inveresk	Yr to Dec 2	130	(101.2)	8.29♠	(8.13)	11.1	(10.9)	3.86	Apr 30	3.68	5.79	5.52
Leslie Wise	Yr to Nov 30	66.6	(60.2)	1.04♠	(2.92)	2.96	(5.56)	2.5	Apr 23	2.5	4.25	4.25
Nynex Cablecomms	Yr to Dec 31	85.1	(41)	90.3L	(95.1L)	7.9L	(7.1L)	nil	-	-	nil	-
Sema	Yr to Dec 31	677.7	(596.1)	36.9♠	(29.54)	24.85	(21.26)	3.1	July 1	2.5	5	4.1
Standard Chartered	Yr to Dec 31	-	(-)	661	(510)	45.9	(32.7)	7.75	May 31	5.75	11	8
Zetters	9 mths to Dec 31	15.35	(-)	0.859	(-)	-	(-)	-	-	-	-	10

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Enterprise	6 mths to Dec 31	266.7	(222.5)	1.58	(0.888)	3.95	(2.22)	1.55	Apr 3	1.45	-	5.1
Henderson Eurotrust	6 mths to Jan 31	141.1	(108.3)	0.075	(0.231)	0.43	(1.31)	1	Apr 19	1.5	-	3.35
JF Euro Utilities	6 mths to Jan 31	102.4	(87.3)	0.343	(0.332)	3.22	(3.12)	2.1	Apr 15	2	-	5.2§

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ☆Comparatives for 10 months. †On increased capital. ■US currency. §Includes 0.4p special.

Orange worth up to £2.45bn

By Alan Cane

Orange, the UK mobile communications group, confirmed yesterday that it will be valued at between £2.2bn and £2.45bn ($3.8bn) when it floats at the end of next month.

The flotation is generating widespread interest as the company's brokers begin the task of setting the offer price, expected to be between 175p and 205p a share.

Analysts had projected a range of prices some 20 per cent higher.

The shares will be on offer world-wide. A public offering in the UK, subject to a minimum investment of £1,000 will be launched on March 12, and priced on March 27.

Some 325m shares, representing 26.5 per cent of the enlarged share capital of the company, are to be floated, raising between £530.6m and £623.5m net. The majority of the proceeds will be used to repay loans made by the existing shareholders to finance the early growth of the business.

Lex, Page 12

Exceptionals put BICC in the red

By Patrick Harverson

Restructuring costs, difficult trading conditions and a loss on the sale of its housebuilding business pushed BICC, the international cables and construction group, into the red last year.

After swallowing £176m of exceptional items the group reported a pre-tax loss of £67m ($103m) for 1995, against a £131m profit the year before. Turnover was up almost 10 per cent at £4.36bn.

Losses per share were 37.1p (19.6p earnings) and a final dividend of 8.5p makes a total of 12.5p (14.6p).

Mr Alan Jones, who joined the group as chief executive from GKN last year, said the positive impact of the "radical" restructuring would start to feed through to the bottom line this year. With all of the changes either already announced or completed, he said the group would be cash generative this year.

In the past year poorly performing housebuilding and low voltage cable operations have either been sold or restructured, and investment ploughed into the higher margin fibre-optic and data cabling businesses.

Mr Jones said: "We've taken the right action very quickly and vigorously in cables and will see a return to the form of better profits in the second half of 1996. And we have sustained investment in growing products and the Asia Pacific markets, which will show through in profits in 1997."

The brighter outlook and an unexpected improvement in cash generation – operating cash flow rose from £21m to £162m – helped BICC's shares climb 5p to 295p.

The largest single exceptional item was the £82m cost of rationalising the cables operations, which involved plant closures in Germany, the US and Canada. Other items included a £78m loss on the sale of Clarke Homes to Westbury in December, a £10m provision on property revaluations, and a £5m charge to cover the cost of the collapsed tunnel in the Heathrow Express project.

The North America Cables division performed badly, with profits falling by half to £9m.

Profit up 30%

Statement by the Chairman Patrick Gillam

"Standard Chartered's position as a high performing banking group, concentrating on fast growing Asian and African markets, improved significantly during 1995."

Results

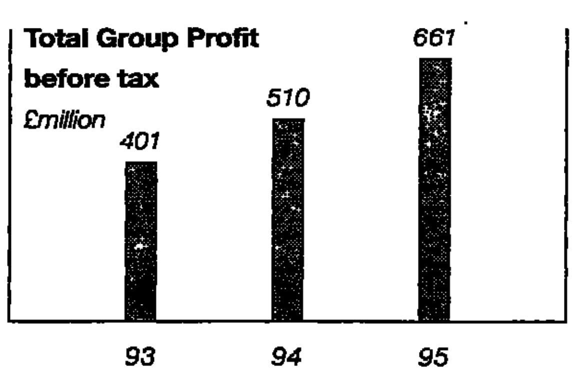
For the third year in succession, I am delighted to report excellent results:-

Pre-tax profits	up 30 per cent from £510 million to £661 million
Cost income ratio	reduced from 62 per cent to 59 per cent
Headline earnings per share	up 44 per cent from 31.2p to 45.0p
Return on shareholder equity	up from 24 per cent to 28 per cent
Tier 1 capital	7.9 per cent
Annual dividend	up 38 per cent from 8.0p to 11.0p

Strategies and the economic environment

We will grow and develop our strong franchises in Asia, the Middle East and Africa using our operations in Europe and North America to provide our customers with a bridge between these markets. We will focus on personal, corporate and institutional banking, on consumer finance and in the provision of treasury, custody and investment banking services, all areas where we have strength and expertise.

In Asia, we operate in dynamic economies where real growth rates of five per cent per annum and above are the norm. Hong Kong continues to be of major importance to the Group and produced a profit increase of 10 per cent over 1994 and 35 per cent of the total Group profit. A total of 68 per cent of our pre-tax profit comes from Asia Pacific Region. Africa and the Middle East contribute 10 per cent and the more established economies, mainly the United Kingdom and the United States, 22 per cent.



Business performance

The growth, development, and profitability of our strategic businesses was excellent:-

- **Personal Banking** grew significantly and now contributes about 30 per cent of total profits.
- **Corporate Banking** is being realigned to provide better products and improved customer service.
- **Institutional Banking** continued to expand rapidly and aims to be the 'banker's bank' in Asia, the Middle East, Africa, and increasingly in Latin America.
- **Treasury** has particular strengths in exotic currencies and reinforced its position as a leader in Hong Kong and other Asian markets.
- **Custody,** under the Equitor banner, has established itself as a leading Asian regional sub-custodian.
- **Consumer Finance,** through Chartered Trust, had a very good year in the United Kingdom.

Standard Chartered

COMMODITIES AND AGRICULTURE

Gencor's smelter plans ease capacity worries

By Kenneth Gooding, Mining Correspondent

Gencor's suggestion that it might build two big smelters in southern Africa, one to produce aluminium and the other zinc, was greeted with enthusiasm by analysts yesterday who said the extra capacity would be needed in the next 10 years.

The South African mining and metals group said it was evaluating the feasibility of using surplus energy from the Cabora Bassa hydro-electric complex in Mozambique to power an aluminium smelter with an expected annual capacity of 245,000 tonnes. The company said capacity could rise to 490,000 tonnes, making it one of the world's biggest aluminium smelters. Capital expenditure of the first phase was estimated at R4bn ($1bn).

Gencor also said it was considering another power-intensive project, a zinc smelter possibly located in the eastern Cape with annual capacity of 200,000 tonnes. This might also be expanded to a capacity of 400,000 tonnes. The first-phase capital expenditure for this project would be about R1.5bn.

The South African government's Industrial Development Corporation would be involved in the planned projects.

Mr Graham Dellar, analyst at the Resource Strategies consultancy, said the zinc venture had been suggested some months ago by Escom, the South African power supplier, because it has excess capacity. The timing was good because there was at present "a window of opportunity" as the world would need two new zinc smelters before long. Although there was a considerable increase in zinc mine capacity planned for the coming five years, virtually no new smelting capacity had been announced.

Mr David Moison, another Resource Strategies analyst, said the aluminium industry also needed new smelting capacity in the next five to 10 years – but the requirement for "green field" smelters was much less than some other analysts had suggested. For example, between 25 and 50 per cent of expected extra demand for aluminium in the next five to 10 years could be met by enhancing existing production facilities. "This is a very attractive route with very low capital requirements," Mr Moison said.

Several aluminium smelters were planning to add new production lines, he added, which would be more expensive than upgrading existing "pots", but cheaper than building a new smelter.

Gold and zinc ventures to start in Spain and Ireland

By Kenneth Gooding

Western Europe might be out of favour with big international mining operators but two "junior" companies with substantial projects – one for gold in Spain and the other for zinc and lead in Ireland – said yesterday they were close to starting production. Larger companies have been deterred from the region because it is too crowded, presents problems with permitting and has an active environmental movement.

Rio Narcea Gold Mines has already found enough gold in the northern Spanish province of Asturias to support an open-pit mine producing about 100,000 troy ounces of gold for 10 years, which would make it Europe's biggest gold producer.

Mr Chris von Christierson, Rio Narcea chairman, said yesterday that a feasibility study for the US$40m project should be completed by the middle of the year and a decision about production would be made soon after. Production could start at the end of next year.

Rio Narcea this week hired SBC Warburg, the investment bank, to help find finance for the project and steer the company, at present quoted in Toronto, to a listing on the Madrid stock exchange and possibly one or two other European exchanges. Most of Rio Narcea's shareholders are based in Europe.

Spain is a particularly pro-mining country and the Asturian government will provide 15 per cent of the project costs in subsidies. Up to a further 20 per cent of the cost might be provided by the European Commission under its assisted areas programme.

Meanwhile Arcon International Resources, the Irish company majority owned by Mr Tony O'Reilly, the international businessman, said its Galmoy zinc-lead project in County Kilkenny was on track to start production in the second half of the year.

The I£53m ($33m) mine is scheduled to produce 74,000 tonnes of zinc and 6,000 tonnes of lead a year. Some US$60m of bank finance has already been raised for the project.

Arcon also reported "excellent" results from its I£1.5m, two-year exploration programme on the extensive licence area surrounding the mine site.

Small farms blamed for southern African poverty

Agriculture ministers are calling for more effective investment, John Madeley reports

Southern African countries "will not prosper" without rapid growth in the small-scale agricultural sector, according to an international workshop on poverty alleviation strategies held in Cape Town last week.

Small-scale farmers in the region have fared "very badly" said a statement issued at the workshop, which was organised by the 12-country Southern African Development Community (SADC), the World Bank and the United Nation's International Fund for Agricultural Development (IFAD). The event was attended by agriculture ministers and officials from SADC member states.

The "extremely low level" of productivity and development of small-scale agriculture in southern Africa is the root cause of the rural poverty in the region, the statement said. Many farmers in the small-scale sector have only limited access to land and water, and lack "adequate and stable off-farm employment".

Many rural areas in the region "have suffered profound neglect and discrimination", Mr Fawzi Al-Sultan, IFAD president, told the workshop. The rural poor have been the main victims: "The origins of poverty lie in small-scale agriculture and this is where the search for answers must start."

The 12 SADC countries are Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

Part of the problem stems from the inadequate agricultural resource base of many areas in the region "particularly the areas where the poor are concentrated", said the statement. "The situation is worsening as a result of the pressure of population, erosion and land degradation, as well as climate change triggering the incidence of drought."

It adds that difficulties have been caused by the way resources have been distributed, and by the absence of links between the rural poor and the "engines of economic growth and development".

The workshop's participants said that the role of SADC governments "is first and foremost to promote the general policy conditions for increased private sector investment and activity in the poor rural areas". They added that reforms should seek to eliminate policies that have distorted the rural sector and placed the poorer farmer at a disadvantage, and said there was a need "for public investments in services and infrastructure to overcome bottlenecks to private investment".

They also urged closer co-operation between governments and non-governmental organisations, with spending targeted at those who need it most.

Access to land, security of tenure, greater availability of credit and improved storage and marketing facilities were considered vital for raising productivity in the small-farmer sector. The problem of inadequate access to land is particularly acute in the region.

Ms Katherine Marshall, director of the World Bank's southern Africa department, told the meeting that the gap between rich and poor may be wider in the region "than in any other part of the world". But budgetary allocations and investment in the region's rural areas were at "low levels", she said.

This was denied by Mr Kaire Mbuende, SADC executive secretary, who said that SADC countries were allocating up to 40 per cent of their budgets to agriculture and rural development. "It's rather a question of how we make spending more effective. To do that we have to involve small farmers more, putting them at the centre of our policies."

In South Africa, land tenure reform is under way, said Ms Thoko Didiza, the country's deputy minister for agriculture, and farmers who were previously disadvantaged now have access to credit. But she cautioned that many farmers cannot afford to take loans because of interest and capital repayments. Some farmers are being financially assisted, she said, to help them become self-sufficient smallholders.

Mrs Freda Luhila, director of Programme Against Malnutrition, a Zambian NGO, believed that one of the workshop's chief benefits was its emphasis on the need for forums "where governments, NGOs and the private sector can come together to plan and make sure that policy formation is not only done at the top level but that it includes the beneficiaries themselves".

Higher priority for smallholder agriculture was seen by Mr Al-Sultan as a likely outcome of the workshop. "We now have more awareness of the issues than before and a much bigger commitment from governments," he said.


Growth hopes: a 26-acre Zimbabwean farm, formed when a white Rhodesian holding was split up

MARKET REPORT

Russian problems hit palladium

Mr Vladimir Kadannikov, Russia's first deputy prime minister, triggered a sharp fall in the price of palladium yesterday when he was quoted by the Itar-Tass news agency as saying that the federation might sell precious metals and diamonds to cover an expected shortfall in its budget. Russia is apparently Rbs10,000bn ($2.07bn) short of its Rbs32,000bn budgetary requirements.

Palladium's price in London fell by US$3.50 a troy ounce to $136.50.

Russia accounts for 65 per cent of world production of palladium, used mainly in automotive anti-pollution catalysts, and the market was already nervous following comments from Mr Barry Davison, chairman of Anglo American Platinum Corporation. On Monday he suggested that the market remained overshadowed by stockpiled Russian metal. "The fundamentals are not conducive to a short- or medium-term improvement in platinum group metal prices," he said.

On the London Metal Exchange yesterday nickel suffered another substantial fall to close $270 a tonne, or 3.4 per cent, down at $7,765.

Since the close on Friday nickel's price has dropped by 7.4 per cent.

Traders said the sharp reversal was caused by selling by investment funds, which rely on technical indicators such as charts. The funds are apparently intent on driving the nickel price down to between $7,550 and $7,600 a tonne.

Other factors supported lower prices, analysts suggested. Demand from the stainless steel industry, accounting for two-thirds of nickel demand, has slumped. "The clear slowing in the rate of decline of LME nickel stocks is due to cuts in stainless steel production, combined with weak physical markets and better availability of both scrap and virgin nickel," Brandeis, the metals group, said in a special report.

Cocoa's price in London was pushed down to a fresh contract low at the opening of trading yesterday by bearish production scenarios.

The price of cocoa fell to £904 a tonne but recovered later to £911. The coffee futures price slipped $28 a tonne to $1,970 a tonne.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1572-73	1603-04
Previous	1574.5-75.5	1605-1605.5
High/low	1579/1576	1611/1603
AM Official	1579-80	1610-10.5
Kerb close		1603-04
Open int.	209,247	
Total daily turnover	40,324	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1345-55	1380-85
Previous	1343-46	1376-82
High/low		1380/1375
AM Official	1342-47	1378-80
Kerb close		1377-80
Open int.	4,848	
Total daily turnover	813	

■ LEAD ($ per tonne)

Close	762-63	757.5-58
Previous	769.5-70.5	765-66
High/low	773/768	769/752
AM Official	772-73	768-68
Kerb close		754-756
Open int.	36,676	
Total daily turnover	8,475	

■ NICKEL ($ per tonne)

Close	7650-60	7760-70
Previous	7920-30	8030-40
High/low	7910	8085/7750
AM Official	7905-10	8010-15
Kerb close		7830-40
Open int.	39,965	
Total daily turnover	13,482	

■ TIN ($ per tonne)

Close	6105-15	6175-80
Previous	6145-55	6215-20
High/low		6220/6160
AM Official	6120-25	6185-90
Kerb close		6160-70
Open int.	16,748	
Total daily turnover	3,319	

■ ZINC, special high grade ($ per tonne)

Close	1023-24	1044-45
Previous	1023-24	1042-43
High/low		1050/1044
AM Official	1029-29.5	1049.5-50
Kerb close		1046-47
Open int.	76,215	
Total daily turnover	22,425	

■ COPPER, grade A ($ per tonne)

Close	2521-23	2486-87
Previous	2530-32	2492-93
High/low	2535	2499/2486
AM Official	2537-39	2497-98
Kerb close		2491-92
Open int.	168,310	
Total daily turnover	50,267	

■ LME AM Official £/$ rate: 1.5363
LME Closing £/$ rate: 1.5355

Spot: 1.5339 3 mths: 1.5307 6 mths: 1.5280 9 mths: 1.5245

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	114.55	-1.55	116.20	114.50	5,431	9,799
Apr	113.50	-1.30	115.10	113.50	140	1,609
May	112.65	-1.25	114.00	112.60	5,029	16,912
Jun	111.60	-1.00	112.25	111.80	223	816
Jul	110.60	-0.70	111.30	110.50	353	4,015
Sep	109.00	-0.40	109.30	109.10	45	2,933
Total					11,884	43,525

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	397.40-397.80		
Opening	397.30-397.70		
Morning fix	397.50	258.31	471.28
Afternoon fix	397.55	258.57	472.89
Day's High	398.40-398.80		
Day's Low	396.80-397.20		
Previous close	399.00-399.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.23	6 months	3.57
2 months	4.06	12 months	3.23
3 months	3.84		

Silver Fix	p/troy oz.	US cts equiv.
Spot	355.05	546.25
3 months	360.15	552.95
6 months	364.60	558.95
1 year	374.00	570.20

Gold Coins	$ price	£ equiv.
Krugerrand	397-400	259-261
Maple Leaf	408.80-411.35	
New Sovereign	93-96	61-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	402.1	+2.5	402.4	398.3	32,285	108,532
Jun	404.8	+2.8	405.0	401.0	1,421	37,817
Aug	407.0	+2.7	406.7	403.1	20	11,608
Oct	409.3	+2.8	409.0	406.0	5	3,665
Dec	411.6	+2.9	411.8	407.6	459	13,847
Feb	413.7	+2.9	-	-	38	4,764
Total					34,345	228,205

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	413.5	+3.5	414.0	408.5	3,864	13,989
Jul	415.8	+3.5	416.5	411.5	76	4,660
Oct	418.1	+3.5	418.0	414.5	123	1,459
Jan	420.1	+3.5	416.1	416.1	122	263
Total					3,985	20,376

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	137.00	-2.85	139.75	136.25	1,525	1,548
Jun	138.50	-2.75	141.50	137.10	1,703	6,172
Sep	139.75	-2.75	140.00	140.00	5	111
Dec	141.00	-2.75	141.50	141.50	15	73
Total					3,233	7,904

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Mar	548.3	+3.1	554.0	542.0	28,651	19,071
May	553.5	+3.1	560.0	547.0	15,299	44,034
Jul	558.6	+3.3	565.0	551.0	2,202	11,579
Sep	563.1	+3.5	567.0	557.5	56	10,564
Dec	569.7	+3.7	575.0	565.0	106	7,132
Mar	578.2	+3.9	-	574.0	215	2,356
Total					44,532	97,767

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	19.26	-0.44	19.81	19.12	41,947	99,748
May	18.57	-0.33	18.96	18.42	21,382	57,694
Jun	18.11	-0.28	18.40	18.01	11,687	43,192
Jul	17.76	-0.26	17.99	17.65	6,573	35,958
Aug	17.54	-0.23	17.72	17.50	2,686	17,139
Sep	17.39	-0.20	17.55	17.30	1,935	16,891
Total					97,728	408,645

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	17.72	-0.25	18.05	17.60	14,175	57,850
May	17.01	-0.27	17.28	16.82	9,763	37,888
Jun	16.60	-0.28	16.83	16.54	4,529	28,173
Jul	16.31	-0.26	16.52	16.26	1,686	32,389
Aug	16.10	-0.24	16.29	16.04	737	6,801
Sep	15.99	-0.21	16.16	15.90	1,217	10,305
Total					32,808	196,402

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	60.40	-3.88	63.95	59.50	23,839	10,264
Apr	53.30	-1.68	54.80	52.70	18,296	28,248
May	49.85	-1.10	51.00	49.50	5,347	12,706
Jun	48.35	-0.85	49.20	48.15	2,520	12,218
Jul	47.75	-0.90	48.55	47.50	675	6,267
Aug	48.30	-0.60	48.90	48.20	299	4,493
Total					54,583	91,858

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	174.50	-3.50	177.25	173.75	10,177	21,856
Apr	158.50	-1.50	161.25	158.50	7,261	16,275
May	153.25	-1.75	155.25	153.00	1,591	7,226
Jun	150.50	-1.75	152.50	150.00	710	7,778
Jul	149.25	-2.00	150.25	149.25	31	4,879
Aug	148.50	-2.00	151.25	149.30	85	2,646
Total					20,760	69,677

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	2.305	-0.021	2.325	2.270	8,631	25,631
May	2.140	-0.003	2.150	2.115	1,735	18,732
Jun	2.050	+0.010	2.055	2.030	1,297	14,194
Jul	2.005	+0.018	2.005	1.985	1,237	13,076
Aug	1.955	+0.015	1.957	1.940	684	11,466
Sep	1.915	+0.015	1.915	1.890	420	9,056
Total					18,864	139,615

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	58.90	-1.41	60.50	58.50	11,370	8,950
Apr	59.50	-1.15	61.00	59.20	9,866	29,051
May	58.65	-0.90	59.75	58.45	4,085	13,065
Jun	57.40	-0.75	58.40	57.15	979	5,750
Jul	55.97	-0.73	56.80	55.50	273	4,775
Aug	54.50	-0.75	55.25	54.50	59	3,125
Total					26,806	65,810

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	117.90	-0.85	118.00	117.90	21	358
May	120.25	-0.80	120.55	120.25	139	3,612
Jul	122.30	-0.75	122.55	122.30	22	548
Sep	110.65	-0.15	-	-	-	205
Nov	112.30	-0.35	112.25	112.20	13	1,407
Jan	113.90	-0.35	-	-	50	227
Total					195	6,385

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	508.00	-0.50	512.00	503.00	7,087	14,639
May	496.25	+3.25	497.00	488.00	6,526	23,912
Jul	464.00	+0.75	465.00	459.50	12,716	46,033
Sep	466.50	+1.00	467.00	461.00	668	6,437
Dec	475.50	+0.50	476.00	470.00	676	6,186
Mar	475.00	-	477.00	472.00	29	233
Total					27,749	99,715

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	391.75	+3.75	392.25	385.50	52,192	62,006
May	389.25	+2.25	389.50	385.25	61,374	201,293
Jul	382.50	+2.25	383.00	378.00	22,836	119,068
Sep	333.25	-	333.25	331.50	3,028	34,205
Dec	317.75	-0.50	318.50	316.50	10,920	85,196
Mar	322.75	-0.25	323.25	321.50	768	6,988
Total					98,715	511,869

■ BARLEY LCE (£ per tonne)

Mar	108.80	-0.70	108.90	108.90	5	378
May	110.25	-0.60	110.15	110.15	5	496
Sep	106.50	-	106.50	106.50	2	32
Nov	108.40	-	108.50	108.25	105	254
Jan	110.15	-0.40	110.25	110.25	1	55
Total					118	1,215

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	738.75	+2.75	741.00	733.00	21,635	21,713
May	750.50	+3.25	751.00	743.00	33,773	68,291
Jul	759.50	+2.25	760.50	752.00	12,579	48,824
Aug	760.25	+2.75	761.00	754.00	441	5,247
Sep	747.00	+1.00	748.00	743.50	298	3,601
Nov	741.50	-	742.00	736.50	7,315	49,379
Total					76,407	282,229

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	24.01	-0.23	24.20	23.88	8,171	12,962
May	24.45	-0.17	24.60	24.40	10,410	30,152
Jul	24.87	-0.16	24.98	24.80	4,383	22,218
Aug	25.05	-0.14	25.12	25.05	2,092	5,905
Sep	25.21	-0.19	25.32	25.21	1,145	3,463
Oct	25.40	-0.15	25.53	25.40	380	2,581
Total					27,900	85,244

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	234.5	+2.0	234.7	230.5	8,423	11,809
May	238.9	+1.9	239.1	235.3	10,503	38,736
Jul	242.0	+1.6	242.5	239.0	7,172	23,310
Aug	242.0	+1.3	242.7	239.3	958	5,063
Sep	241.7	+1.8	241.7	239.0	834	3,049
Oct	236.1	+1.1	236.5	234.3	139	2,139
Total					30,886	92,167

■ POTATOES LCE (£/tonne)

Mar	200.0	-	-	-	-	-
Apr	183.0	+7.4	181.0	174.0	38	883
May	193.5	+1.0	191.0	190.0	2	20
Jun	225.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Total					48	946

■ FREIGHT (BIFFEX) LCE ($10/index point)

Feb	1368	-6	-	-	-	427
Mar	1410	-23	1436	1410	42	750
Apr	1420	-12	1425	1410	43	1,535
Jul	1300	-20	1321	1295	37	1,647
Oct	1335	-13	1335	1335	10	572
Jan	1375	-4	-	-	-	62
Total					136	5,008

	Close	Prev
BFI	1379	1382

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group: US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); 1995 crop 3,400 CFR/FOT MEP, 26/28 3,500 CFR/FOT MEP – roasted and salted 28/30 at 3,900 ex-Hamburg, vacuum pack. US almonds (shelled) – market unstable, prices rising. US walnuts LHP 20% - steady at 5,840 FAS California. Indian cashews raw: 1995 crop, W-320, 5,850 spot Europe; 5,625 CFR MEP March-April; W-240 6,100 spot Europe, 5,850 CFR MEP March-April – prices stabilising. Turkish hazelnut kernels, 13/15 standard 1s, 1995 crop at 2,400 CFR MEP, falling, with little business done. Russian snow white pumpkin seeds: 1995 crop, long, grade A, at 1,950 FOB MEP; round, 2,350 FOB MEP. US sunflower seeds 20/64 long at $840 CIF MEP. Chinese grade A pine kernels, 1995 crop at 5,300, spot UK or 4,500 CFR from origin.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	885	-1	885	880	1,609	4,186
May	911	+1	912	904	5,452	25,943
Jul	937	+2	937	930	1,431	14,108
Sep	958	+2	960	953	1,403	37,230
Dec	975	+2	976	971	2,421	17,086
Mar	995	+5	997	990	887	33,576
Total					13,588	141,704

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1259	-6	1266	1257	79	488
May	1275	-5	1283	1269	8,367	42,459
Jul	1298	-5	1305	1292	3,149	17,533
Sep	1316	-6	1324	1315	1,162	10,400
Dec	1351	-3	1350	1350	45	9,985
Mar	1378	-4	1381	1375	12	7,455
Total					10,846	92,363

■ COCOA (ICCO) (SDR's/tonne)

Feb 27	Price	Prev. day
Daily	925.05	929.10

■ COFFEE LCE ($/tonne)

Mar	1970	-28	2020	1965	1,306	5,899
May	1834	-23	1887	1829	2,499	13,286
Jul	1773	-22	1825	1773	664	4,335
Sep	1746	-16	1795	1750	41	2,918
Nov	1725	-14	1778	1787	21	1,262
Jan	1705	-24	1753	1753	5	275
Total					4,532	27,975

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	114.80	-1.70	117.20	114.25	618	1,670
May	112.95	-1.90	116.20	112.80	6,363	18,264
Jul	111.85	-1.65	114.90	111.60	1,310	4,117
Sep	111.50	-1.40	113.90	111.00	487	2,778
Dec	109.70	-1.55	113.00	109.50	49	1,284
Mar	109.75	-1.50	112.00	112.00	18	406
Total					8,856	28,807

■ COFFEE (ICO) (US cents/pound)

Feb 27	Price	Prev. day
Comp. daily	105.20	104.89
15 day average	110.78	111.16

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Mar	10.90	-	-	-	-	-
May	11.90	-	-	-	-	-
Jul	11.90	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

May	382.3	-0.6	383.9	379.7	1,131	14,328
Aug	362.1	+1.3	362.5	358.9	734	8,711
Oct	324.3	+0.9	323.3	321.6	445	4,609
Dec	314.3	+1.4	313.0	312.0	165	2,632
Mar	309.4	+0.3	308.5	308.5	10	675
May	305.8	-0.7	305.2	305.0	11	506
Total					2,496	29,461

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	13.16	+0.13	13.25	12.93	14,701	13,403
May	11.99	+0.15	12.00	11.75	10,438	63,493
Jul	11.05	+0.06	11.06	10.90	4,326	33,534
Oct	10.62	+0.03	10.65	10.53	1,259	26,512
Mar	10.32	+0.02	10.33	10.25	887	13,837
May	10.22	+0.01	10.23	10.16	64	3,260
Total					31,774	155,606

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	82.60	+0.17	82.70	82.10	433	599
May	83.73	+0.18	83.90	83.11	3,818	23,511
Jul	84.27	+0.07	84.55	83.90	1,303	11,772
Oct	81.20	-0.10	81.30	81.00	512	2,484
Dec	79.99	+0.21	80.05	79.65	2,157	15,608
Mar	81.00	+0.30	81.00	80.67	84	1,387
Total					8,323	57,806

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	126.50	+1.05	126.60	125.50	1,128	3,020
May	128.40	+0.80	126.70	125.80	1,979	10,736
Jul	126.10	+0.80	126.30	125.75	177	2,364
Sep	124.95	+0.70	125.00	124.50	132	1,883
Nov	121.50	-0.05	121.50	121.50	177	634
Jan	121.25	-0.20	122.00	121.25	66	2,368
Total					3,659	21,143

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 28	Feb 27	month ago	year ago
2137.3	2136.8	2175.5	2327.1

■ CRB Futures (Base: 1967=100)

Feb 27	Feb 26	month ago	year ago
249.25	249.07	245.45	234.01

■ GSCI Spot (Base: 1970=100)

Feb 27	Feb 26	month ago	year ago
199.22	198.72	190.66	177.38

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	64.650	-0.375	65.125	64.575	8,396	33,867
Jun	63.400	+0.050	63.750	63.200	4,163	21,547
Aug	62.675	+0.025	62.925	62.500	1,653	10,930
Oct	63.225	-0.050	63.500	63.175	752	9,916
Dec	62.275	-	62.450	62.150	409	5,418
Feb	62.250	-	62.450	62.250	173	2,697
Total					15,550	84,917

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Apr	48.050	+0.575	48.125	47.200	2,680	12,311
Jun	53.075	+0.150	53.175	52.575	1,919	10,476
Jul	51.600	+0.225	51.675	51.100	482	2,812
Aug	49.350	+0.200	49.500	48.900	377	3,898
Oct	45.600	+0.300	45.750	45.200	87	2,056
Dec	46.700	+0.400	46.875	46.300	58	1,529
Total					5,574	33,939

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Mar	61.500	-0.375	62.500	61.400	811	2,596
May	62.200	-0.625	63.500	62.025	1,691	4,645
Jul	60.625	-0.425	61.150	60.150	211	1,594
Aug	57.200	-0.400	57.900	57.200	33	358
Feb	65.600	-1.300	65.850	64.900	1	2
Total					2,776	9,198

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Jul	May	Jul
1500	114	143	17	32
1600	52	84	54	71
1700	19	44	120	130
■ COPPER (Grade A) LME	May	Jul	May	Jul
2400	130	123	28	69
2500	67	72	64	116
2600	30	40	126	182
■ COFFEE LCE	May	Jul	May	Jul
1850	107	125	123	217
1900	87	124	153	251
1950	71	109	187	288
■ COCOA LCE	May	Jul	May	Jul
875	46	81	10	19
900	30	64	19	27
925	18	50	32	38
■ BRENT CRUDE IPE	Apr	May	Apr	May
1650	-	-	6	45
1700	115	70	10	-
1750	72	48	37	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar) +or-

Dubai	$16.18-6.19w	-0.295
Brent Blend (dated)	$18.78-8.84	-0.14
Brent Blend (Apr)	$17.68-7.69	-0.32
W.T.I.	$19.24-9.26w	-0.43

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$186-187	-1.5
Gas Oil	$189-191	-5
Heavy Fuel Oil	$100-102	+2
Naphtha	$171-173	-0.5
Jet fuel	$210-212	-4
Diesel	$192-194	-4

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

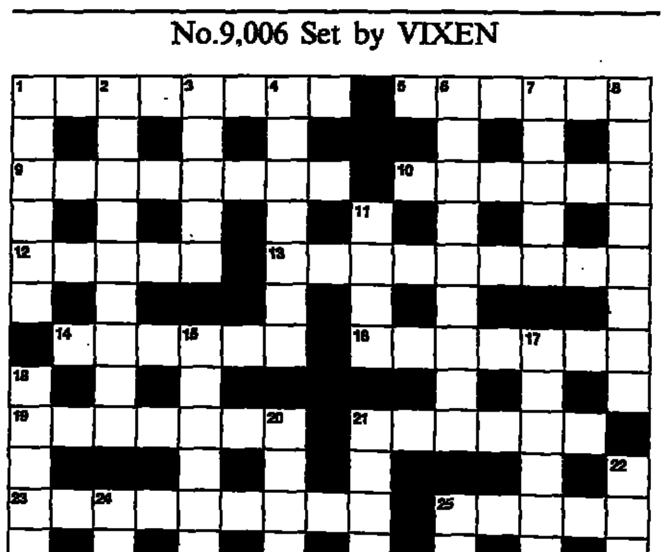
Gold (per troy oz)♣	$397.60	-1.65
Silver (per troy oz)♣	546.5c	-8.0
Platinum (per troy oz.)	$408.00	-1.35
Palladium (per troy oz.)	$137.50	-1.75
Copper	122.0c	-1.0
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.69m	-0.03
Tin (New York)	291.50c	-1.0
Cattle (live weight)†	118.61	-0.89*
Sheep (live weight)†♠	132.39	+2.71*
Pigs (live weight)†	103.21	-1.91*
Lon. day sugar (raw)	$320.6	+3.5
Lon. day sugar (wte)	$404.0	-1.1
Barley (Eng. feed)	113.5	
Maize (US No3 Yellow)	150.5z	
Wheat (US Dark North)	Unq.	
Rubber (Mar)♥	110.50p	-0.50
Rubber (Apr)♥	110.50p	-0.50
Rubber (KL RSS No1)	421.50m	+4.0
Coconut Oil (Phil)§	$730.0v	+2.5
Palm Oil (Malay.)§	$502.5	-20.0
Copra (Phil)§	465.0y	
Soyabeans (US)	209.0y	-1.0
Cotton Outlook'A' index	82.65	-0.50
Wooltops (64s Super)	436p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Feb.♥ w Apr. y Feb/Mar. v Mar/Apr London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week †Prices are for previous week.

JOTTER PAD

CROSSWORD

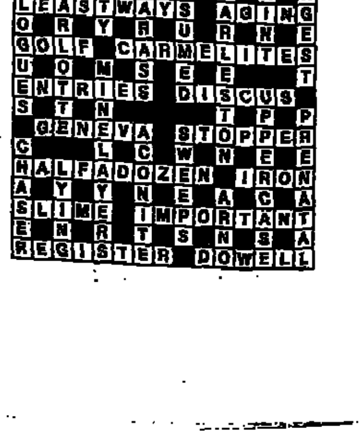
No.9,006 Set by VIXEN



ACROSS
1 Carol has got left inside for playing about (8)
5 Providing the school-head with a home is most sensible (6)
9 Beat a municipality's acquisitiveness (8)
10 Falsetto song rendered by a star (6)
12 Gather a scholar's into dope (5)
13 Appealing for reform, see about involving university (9)
14 Artist in a bistro showing bottle (6)
16 Some won't rest lest they lose support (7)
19 Soldiers in very quiet surroundings are fit (7)
21 Breathe heavily when holding a note, as is quite obvious (6)
23 Place of entertainment offering various things to have a shot at (9)
25 Is back with first wife, though to separate (5)
26 How marching men proceed – on foot (6)
27 Needing a change of venue for skiing (8)
28 Small coins will procure Greek cereal (6)
29 Sid's deep maybe, but certainly not admired (8)

DOWN
1 Call out a comedian (6)
2 Where youngsters alone are cared for (9)
3 Sound demand for staples (5)
4 Unskilled, but that's exceptional (7)
6 A grant giving rise to growing concern (9)
7 Muse, but get too disheartened after a time (5)
8 Fliers making childish complaint over quarters (8)
11 Go on a strict diet without wavering (4)
15 Some people stuff at home (9)
17 Skin-specialists work here – work in earnest (9)
18 Taking advantage of others' generosity and cleaning up (8)
20 See some ladies' pyjamas (4)
21 Authority to turn in certain currency (7)
22 Conned again! (6)
24 Gout's bad for the appetite (5)
25 Capital cover, naturally (5)

Solution 9,005



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FT
FINANCIAL TIMES GROUP

Prices recover despite US data

By Richard Lapper and Samer Iskandar in London and Lisa Bransten in New York

Government bonds enjoyed a generally better day yesterday with markets recovering some ground after their losses of recent weeks. The improvement occurred despite higher than expected January consumer price inflation figures from the US.

A number of analysts hinted that yesterday's bounce in prices could foreshadow a return to more bullish conditions. Mr Mark Fox, European strategist at Lehman Brothers in London, said: "Investors have got too bearish and everyone felt bond market yields were going to rise for ever. Some investors are still worried about a repeat of 1994 but that school of thought is diminishing fast."

Mr Michael Burke, senior economist at Citibank, however, is expecting further rises in bond yields over the course of the year. He said yesterday's events were "characteristic of a market being driven by flows. The market was oversold. People who have gone short have bought back".

■ In morning trading in the US, the long end of the Treasury curve largely shrugged off the January CPI data, which showed a higher than expected 0.4 per cent month-on-month increase.

Near midday, the benchmark 30-year Treasury bond had gained 11/32 to 94¼, yielding 6.430 per cent. However, two-year notes, which had been flat, lost some ground after the figures were published.

Several economists said they did not believe the figures indicated a sharp rise in inflationary pressures, but the data was seen as another element working against the probability of the Fed further loosening monetary policy in the near term.

Mr Elliot Platt, an economist at Donaldson Lufkin & Jenrette, said monetary policy decisions remained contingent on next week's employment report, but: "We don't think the economic data for the entire year are severely impacted to a negative degree ... but they do represent a definite short-run problem."

Also weighing on the market was the new supply to be issued at the Treasury Department's afternoon auction of $12.5bn in five-year notes.

Weakness at the short end of the curve that maps the spread between yields on the two-year note and the long bond caused it to flatten by 11 basis points to 110 points. A flatter curve usually indicates that market participants do not expect strong growth in the economy.

GOVERNMENT BONDS

■ German government bonds closed higher again, prompting a shift in traders' short-term positions. The March bund contract closed at 97.26, up 0.36.

The markets were supported by data indicating weaker demand in the engineering sector, a 1 per cent year-on-year decline in import prices, and reports that unemployment could soon hit the 4.5m mark. Some investors were active buyers, sensing this could be the last opportunity to lock-in relatively high yields after the correction of recent weeks.

"European bonds still look attractive," said Ms Cathy Jones, an analyst at Prudential Securities in Chicago, but she warned of currency risk for dollar-based and other non-EU investors.

However, other traders said yesterday's trading was largely technical and did not reflect a change in sentiment. One French futures trader said "activity was mostly timing-driven, with large hedging positions being rolled-over from April into May and June maturities, in order to cover [next month's European] Inter-Governmental Conference".

Other analysts also expect rising volatility in coming weeks, as the IGC draws nearer and the agenda remains unclear. This could induce a steepening of continental European yield curves, "particularly in Germany", said Ms Jones, as investors start seeking a higher risk premium for longer-term bond holdings.

■ UK government bonds rose in line with the international trend. On Liffe, the March 10-year futures contract closed at 107¼, up 11/32 on Tuesday's close but off the day's high of 107 7/16. In the cash market yield on the benchmark 10-year gilt fell by 1 basis point. Yields on shorter-dated paper rose marginally.

Although the auction of 8 per cent gilts due 2021 was comfortably covered (1.48 times), analysts said the yield tail – the gap between the yield of the average and the lowest bids – of 5 basis points was high and indicated uncertain investor demand.

"Although it was never expected to be a stunning success, the auction proved more difficult than some had thought," said Mr Nigel Richardson at Yamaichi International (Europe).

■ French bonds took heart from the positive mood in the US and German markets following the release of US data. The March contract of Matif's "notional" 10-year future closed at 120.94, up 0.52. It broke the 121 barrier and was still climbing in late trading on Globex and traders believe there is scope for further gains now a German rate cut is back on the agenda. The 10-year yield spread over Germany narrowed by 6 basis points to 26 points.

■ The Spanish and Italian high-yield markets outperformed Germany, mainly reflecting D-Mark weakness and dollar strength. Both also benefited from perceptions of improved prospects for political stability.

In Spain, Meff's March 10-year Bono future closed at 96.40, up 0.76. In the cash market, the yield curve flattened, reducing the spread of 10-year Bonos over bunds by 10 basis points to 325 points.

On Liffe the March 10-year Italian BTP futures contract settled at 110.62, up 1.12, rising to 110.83 in APT trading. In the cash market the 10-year yield spread over Germany fell from 426 to 413 basis points.

● According to a monthly survey by Lehman Brothers, which covered 30 investors holding $120bn in fixed income funds, investors have increased the amount of money they hold in cash from 6 per cent in January to 12 per cent in February.

Deutsche Börse opens access point in London

By Conner Middelmann

Deutsche Börse, the German stock exchange organisation, has opened an access point in London to allow participants there entry into IBIS, its electronic cash securities trading system, and DTB, its screen-based derivatives market.

While five UK-based institutions – Commerzbank, the London branch of Landesbank Hessen Thüringen, and futures brokers FCT Europe, Saratoga, and Spear Leeds & Kellogg – already have direct links to the DTB system, the new access point will make it easier and cheaper for UK-based dealers to hook into it, said Mr Jörg Franke, a board member of Deutsche Börse. He expects 10 to 15 institutions to trade on the access point within four to six months.

From March 18 the DTB will also start trading long-term options on the DAX stock index, extending maturities from one to nine months to up to 24 months, he said.

Canadian Pacific seeks approval for railway bond restructuring

By Peter John

A Canadian court will meet today to consider moves to restructure a Canadian Pacific railway bond which was originally issued more than 100 years ago.

The general division of the Ontario Court in Toronto will set a date for a court hearing that will decide both the size of the bondholder quorum and the majority needed to approve changes to the terms of the bond, which were originally set out in a Canadian Act of Parliament.

Canadian Pacific raised C$184m by issuing tranches of a 4 per cent redeemable bond between 1889 and 1930. The bonds offered investors a cast-iron guarantee in the form of a charge on its physical assets in the event of default.

However, as part of the restructuring move, Canadian Pacific wants to make repayments on the bond the responsibility of a new railway division, one of six operating units created in a broader reorganisation of the company, in effect watering down the guarantee.

Canadian Pacific wrote to investors about its plans at the end of January, saying it would raise the coupon on the bond to 5 per cent.

However, many of the 2,000 to 3,000 UK investors who hold the bonds say the increase is insufficient.

Mr Michael Dyson of BZW, the UK investment bank, who is leading the investors' lobby, says: "You are lending money until infinity and that is a long time for a railway. If you wish to undertake such a radical restructuring, logic suggests you would seek to redeem the bond and refinance," he said.

Tightly priced $200m deal for RTZ Canadian unit

By Conner Middelmann in London and Raymond Colitt in Caracas

RTZ, the world's largest metals and minerals producer, yesterday issued its first dollar bond, $200m of five-year bonds for its Canadian subsidiary.

While the bonds' rarity appeal and Aa3/AA– rating were attractive features, some dealers said the 33 basis point launch spread over Treasuries was too tight, slowing placement. However, book-runner JP Morgan reported good demand from UK, Swiss and offshore US institutions.

The Dutch guilder sector was active, with three new deals worth Fl 950m. The municipal financing institute BNG issued Fl 500m of four-year bonds via SBC Warburg, targeted primarily at Swiss investors.

Belgium's Kredietbank issued Fl 200m of perpetual, subordinated, callable step-up bonds met strong demand, mainly from Dutch institutions, and the spread over government bonds narrowed from 95 basis points at launch to 85 points, said lead manager ABN Amro Hoare Govett.

Last, De Nationale Investeringsbank issued Fl 250m of six-year bonds, also via ABN, aimed primarily at Benelux retail investors.

INTERNATIONAL BONDS

Elsewhere, the Venezuelan government will resume overdue payments in excess of $800m on its domestic and foreign debt, the finance ministry said. Payments will be financed by two sovereign bond issues worth a total of $891m, for which Mr Matos Azocar, the finance minister, signed agreements with underwriters on Tuesday.

A seven-year DM750m issue yielding around 850 basis points over German government bonds will be placed by Westdeutsche Landesbank and Y40bn of three-year bonds will be placed on the Japanese market by Nikko Securities.

The mandates come only days after Standard & Poor's downgraded Venezuela's Euro-bond rating to single-B with a negative outlook. Yet finance ministry officials are confident the issues will find buyers. They said the maturity on the D-Mark bonds indicated confidence by German investors in Venezuelan government bonds.

Analysts in Caracas said they would "wait-and-see" before judging whether the issues, which are subject to approval by congress and the central bank, can be successfully placed. By paying overdue debt and keeping up with its 1996 payments, Venezuela hopes to improve its rating.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Bank of Nova Scotia‡(s)	300	(h)	100.00	Sep 1997	0.075	-	UBS
RTZ Canada Holdings(l)	200	6.00	99.729R	Mar 2001	0.30R	(a)	JP Morgan
YEN							
SocGen★(s)(j)	10bn	3.00	100.00	Mar 2001	1.25	-	IBJ
SocGen★(s)	6bn	1.00	100.00	Mar 2001	1.25	-	IBJ
SWISS FRANCS							
Korean Development Bnk	200	4.25	103.375	Mar 2001	2.00	-	Credit Suisse
GECC(b)★	100	3.25	101.95	Mar 1999	1.25	-	Merrill Lynch
GUILDERS							
BNG	500	5.00	99.20R	Mar 2000	0.23R	Flat(i)	SBC Warburg
De NIB	250	6.00	100.05R	Apr 2002	0.30R	+19(i)	ABN Amro Hoare Govett
Kredietbank Intl Fin(c)	200	7.25	99.45R	undated	0.75R	(c1)	ABN Amro Hoare Govett
AUSTRALIAN DOLLARS							
Barclays Australia Intl Fin	100	8.00	100.67	Apr 1999	1.50	-	BZW
EIB	67.5	7.25	100.00	Mar 2001	1.30	-	Bank of Tokyo Cap Mkts
CANADIAN DOLLARS							
Province of Manitoba	150	6.25	99.35R	Apr 1999	0.225R	(d)	CIBC Wood Gundy
PORTUGUESE ESCUDOS							
EIB‡	20bn	(g)	100.17R	Mar 2001	0.10R	-	(g1)
LUXEMBOURG FRANCS							
Genfinance (Lux)(e)	2bn	5.00	102.40	Apr 2005	2.00	-	BGL
ITALIAN LIRE							
EIB(f)	150	9.60	102.368	Jan 2001	1.75	-	JP Morgan

Final terms, non-callable unless stated. Yield spread (over relevant gvt bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Spread:+33bp. Gvt bond: W1 5yr Treasury. To be set today. b) Fungible with SFr200m. Plus 21 days accrued interest. c) Callable at par from2006 and every 10yrs thereafter. If not called, coupon steps-up to 250bp over 10yr DSL after 10yrs. c1) +95(Jan06DSL). d)Priced at +11(5¾%-99) or +21(8%-98). e) Coupon 5% for 1st 3yrs, 7% for yrs 4-6, thereafter 9%. f) Plus 61 days accrued interest. General EIB selling restrictions and Italy. g) Navigator bond. 3-mth Lisbor -18bp. g1)Banco Pinto & Sotto Mayor/Bnco Sntndr de Ngcs (Portugal). h) 3-mth Libor -5bp. j) 3% for 1st 2yrs, thereafter varies depending on performance. i) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.0230	–0.420	8.78	8.68	8.10
Austria		6.125	02/06	96.7200	+0.320	6.58	6.60	6.14
Belgium		7.000	05/06	101.1600	+0.450	6.83	6.85	6.29
Canada *		8.750	12/05	108.6100	+0.210	7.49	7.49	7.00
Denmark		8.000	03/06	102.6600	+0.660	7.61	7.66	6.90
France	BTAN	7.000	10/00	105.1250	+0.250	5.69	5.78	5.34
	OAT	7.250	03/06	104.2700	+0.640	6.65	6.71	6.29
Germany Bund		6.000	01/06	97.4000	+0.450	6.36	6.33	5.82
Ireland		8.000	08/06	101.0000	+0.350	7.84	7.79	7.24
Italy		10.500	09/05	101.5400	+1.230	10.24†	10.60	9.86
Japan	No 129	6.400	03/00	115.8130	–0.100	2.15	2.08	1.72
	No 182	3.000	09/05	95.9780	–0.240	3.42	3.15	2.96
Netherlands		6.000	01/06	97.3600	+0.280	6.37	6.37	5.81
Portugal		11.875	02/05	113.4100	+0.010	9.58	9.61	9.19
Spain		10.150	01/06	102.3100	–0.250	9.59	9.94	9.32
Sweden		6.000	02/05	83.5270	+0.750	8.73	9.00	7.96
UK Gilts		8.000	12/00	103–07	+4/32	7.18	7.10	6.60
		7.500	12/06	97–00	+10/32	7.92	7.80	7.28
		9.000	10/08	107–18	+9/32	8.04	7.94	7.45
US Treasury *		5.625	02/06	96–29	+2/32	6.04	5.94	5.56
		6.000	02/26	94–06	+11/32	6.44	6.34	6.01
ECU (French Govt)		7.500	04/05	102.0400	+0.340	7.18	7.27	6.64

London closing, *New York mid–day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.04	Two year	5.29
Prime rate	8¼	Two month	5.00	Three year	5.42
Broker loan rate	7	Three month	5.01	Five year	5.62
Fed.funds	5¼	Six month	5.02	10-year	6.03
Fed.funds at intervention	-	One year	5.11	30-year	6.43

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.58	120.94	+0.52	121.08	120.56	146,869	149,646
Jun	120.64	120.98	+0.50	121.08	120.60	4,700	23,224
Sep	119.48	119.82	+0.50	119.48	119.48	2	2,411

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
119	1.90	-	2.40	0.01	0.75	-
120	0.97	-	-	0.22	1.06	-
121	0.16	1.47	1.39	1.03	1.51	-
122	0.01	0.96	-	-	-	-
123	-	0.63	-	-	-	-

Est. vol. total, Calls 18,029 Puts 27,684 . Previous day's open int., Calls 217,393 Puts 214,241.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.85	97.26	+0.34	97.43	96.76	237877	145926
Jun	96.02	96.49	+0.37	96.65	96.00	40850	127605

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9600	0.99	1.27	1.48	1.44	0.50	0.78	0.99	1.78
9650	0.69	0.98	1.19	1.22	0.70	0.99	1.20	2.06
9700	0.46	0.72	0.94	1.03	0.97	1.23	1.45	2.37

Est. vol. total, Calls 20331 Puts 22349. Previous day's open int., Calls 224458 Puts 135521

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.92	110.62	+1.12	110.83	109.86	47776	38700
Jun	109.60	110.21	+1.10	110.25	109.60	4984	17524

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
11000	2.15	2.82	1.94	3.02
11050	1.88	2.59	2.17	3.29
11100	1.64	2.37	2.43	3.57

Est. vol. total, Calls 3559 Puts 3831. Previous day's open int., Calls 44948 Puts 41691

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	95.75	96.40	+0.76	96.53	95.75	63,267	42,399
Jun	95.80	95.25	+0.65	96.00	95.50	5,999	5,438

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	106-29	107-08	+0-11	107-14	106-26	86780	95690
Jun	106-06	106-18	+0-11	106-23	106-03	21832	63949

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
106	1-13	1-41	1-62	2-17	0-45	1-09	1-30	2-29
107	0-44	1-09	1-29	1-52	1-12	1-41	1-61	3-00
108	0-22	0-48	1-02	1-28	1-54	2-16	2-34	3-40

Est. vol. total, Calls 1800 Puts 2025. Previous day's open int., Calls 28433 Puts 23981

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	89.36	89.42	+0.32	89.54	89.34	2,278	7,610

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	115–00	115–14	-	115–20	114–29	412,823	249,917
Jun	114–18	114–30	+0–12	115–04	114–11	36,785	154,188
Sep	113–29	114–15	+0–16	114–17	113–29	4,806	12,009

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	118.62			118.70	118.58	1243	0
Jun	117.13			117.28	117.08	3974	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Wed Feb 28	Day's change %	Tue Feb 27	Accrued interest	xd adj. ytd		Low coupon yield Feb 28	Low Feb 27	Low Yr. ago	Medium coupon yield Feb 28	Medium Feb 27	Medium Yr. ago	High coupon yield Feb 28	High Feb 27	High Yr. ago
1 Up to 5 years (23)	122.15	+0.08	122.05	2.01	1.58	5 yrs	7.28	7.32	8.60	7.32	7.36	8.62	7.41	7.45	8.78
2 5-15 years (20)	147.04	+0.27	147.08	2.74	1.21	15 yrs	8.11	8.15	8.52	8.13	8.16	8.63	8.25	8.27	8.84
3 Over 15 years (8)	160.49	+0.25	160.09	2.27	2.41	20 yrs	8.21	8.24	8.47	8.21	8.24	8.63	8.31	8.33	8.74
4 Irredeemables (6)	184.23	-0.17	183.91	3.61	0.00	Irred.†	8.28	8.29	8.52						
5 All stocks (57)	142.07	-0.20	141.98	2.42	1.55										

Index-linked							Inflation 5% Feb 28	Feb 27	Yr. ago	Inflation 10% Feb 28	Feb 27	Yr. ago
6 Up to 5 years (1)	196.85	-0.05	196.96	3.03	0.00	Up to 5 yrs	2.74	2.71	3.69	1.45	1.41	2.32
7 Over 5 years (11)	184.70	-0.13	184.94	1.04	0.63	Over 5 yrs	3.73	3.72	3.89	3.52	3.51	3.70
8 All stocks (12)	184.84	-0.13	185.08	1.09	0.62							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 28	Feb 27	Feb 26	Feb 23	Feb 22	Yr ago	High*	Low*
Govt. Secs. (UK)	93.31	93.13	93.08	93.65	93.65	91.12	96.34	90.22
Fixed Interest	111.91	112.15	112.26	112.68	112.35	109.80	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 27	Feb 26	Feb 23	Feb 22	Feb 21
Gilt Edged bargains	93.7	120.5	83.1	104.6	110.4
5-day average	102.4	103.7	98.8	99.2	98.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on February 28

U.S. DOLLAR STRAIGHTS

OTHER STRAIGHTS

DEUTSCHE MARK STRAIGHTS

SWISS FRANC STRAIGHTS

YEN STRAIGHTS

FLOATING RATE NOTES

CONVERTIBLE BONDS

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UK GILTS PRICES

Other Fixed Interest

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark falls on expectations of interest rate cut

By Graham Bowley

Expectations of further cuts in German interest rates pushed the D-Mark lower against the yen, dollar and other European currencies on the foreign exchanges yesterday.

The dollar gained against the D-mark but remained stable versus the yen with no sign of the heavy central bank intervention in support of the US currency which had marked sessions earlier this week.

The Italian lira and Swedish krona again made substantial gains against the D-Mark but the dollar's revival also dragged sterling higher against the German unit.

The Czech central bank set emerging markets alight when it announced that it was widening the currency bands within which the koruna moves.

Sterling finished stronger against the D-Mark at DM2.2433, from DM2.2359 at the previous close. Against the dollar, it closed at $1.5351, from $1.539.

The dollar finished in Europe at Y104.39, from Y104.5050, and at DM1.4614 from DM1.4528.

■ A reported comment by Mr Rudolf Scharping, the former SPD leader, that German unemployment was set to rise sharply this month raised expectations that German interest rates could fall again soon, undermining the D-Mark.

However, few analysts expected the Bundesbank to cut interest rates at its council meeting today.

The D-Mark weakened most against the lira, Swedish krona and the French franc. But it lost little ground against the peseta, which remained stable ahead of weekend elections.

Mr Mark Fox, market strategist at Lehman Brothers in London, said the lira's continued appreciation has surprised many domestic Italian investors who remain much more bearish on the lira than foreign investors.

The dollar was supported by the poorer showing by Mr Pat Buchanan, one of the candidates for the Republican nomination in the US presidential race, in the Arizona primary. Mr Buchanan's high-spending and protectionist campaign pledges had been unnerving investors, analysts said.

Comments by Mr Newt Gingrich, the Republican speaker in the House of Representatives, that there might be an agreement struck soon on the budget surprised the market and provided further support for the dollar.

Over recent sessions, the currency markets have been focussing on the extent to which the Japanese economy might be recovering. Bond markets have weakened on the prospect of a rise in Japanese interest rates, which weakness has in turn hit the dollar.

But data yesterday pointed to continued subdued activity in Japan. Figures on industrial production showed weaker growth than expected and official forecasts suggested that production might drop sharply in March. "This shows that Japan is not in any rush to raise rates," said Mr Mark Cliffe, economist at HSBC Markets in London.

■ The Czech National Bank said it was widening the fluctuation bands within which the Czech koruna is fixed each day to plus or minus 7.5 per cent from plus or minus 0.5 per cent.

The move, which was widely expected, is aimed at discouraging inflows of "hot money" from overseas investors which has boosted the money supply and caused problems in the country's fight against inflation.

The koruna weakened on the announcement after some selling by overseas investors.

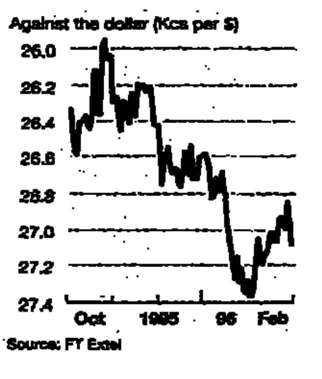
"The market took the initial announcement of the widening badly," said Mr David Simmonds, an emerging markets economist at Citibank in London. He said the Czech authorities were likely to use the daily fixing mechanism as well as the substantial foreign exchange reserves to smooth the koruna's fluctuations within the new bands.

But despite the immediate negative reaction, analysts said the currency was likely to strengthen in future sessions. Mr Jonathan Hoffman, at CSFB, said: "We now see the krona as being very undervalued on a purchasing power parity basis. There is some upside there."

Although expected, the size of the move surprised many analysts. They also questioned the timing of the decision since the koruna has weakened in recent sessions after poor inflation data and as conditions in emerging markets generally have worsened.

Czech koruna

Against the dollar (Kcs per $)



Source: FT Extel

■ Pound in New York

Feb 28	— Latest —	— Prev. close —
£ spot	1.5330	1.5415
1 mth	1.5319	1.5404
3 mth	1.5298	1.5383
1 yr	1.5198	1.5272

■ OTHER CURRENCIES

Feb 28	£	$
Czech Rp	41.5447 - 41.5844	27.0720 - 27.0820
Hungary	216.471 - 216.674	141.060 - 141.110
Iran	4606.50 - 4603.80	3000.00 - 3000.00
Kuwait	0.4575 - 0.4583	0.2981 - 0.2985
Poland	3.9109 - 3.9178	2.5485 - 2.5515
Russia	7401.11 - 7404.44	4820.00 - 4825.00
U.A.E.	5.6360 - 5.6400	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Feb 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7763	+0.0514	674 - 851	15.7794	15.7322	15.7463	2.3	15.6638	2.9	-	-	106.1
Belgium	(BFr)	46.0515	+0.0738	073 - 957	46.1180	45.9700	45.9465	2.7	45.7465	2.6	44.8865	2.5	108.4
Denmark	(DKr)	8.6658	+0.0212	613 - 702	8.6702	8.6441	8.6539	1.7	8.6337	1.5	8.5276	1.6	109.2
Finland	(FM)	6.9322	-0.003	244 - 400	6.9520	6.9080	6.9278	0.8	6.9197	0.7	-	-	84.5
France	(FFr)	7.6902	+0.0102	868 - 936	7.7017	7.6706	7.678	1.9	7.659	1.6	7.5795	1.4	109.6
Germany	(DM)	2.2433	+0.0074	421 - 444	2.2449	2.2363	2.2384	2.6	2.2284	2.7	2.1862	2.5	110.5
Greece	(Dr)	367.737	-0.007	445 - 029	368.430	367.310	-	-	-	-	-	-	68.2
Ireland	(I£)	0.9719	+0.0014	710 - 728	0.9726	0.9704	0.9709	1.2	0.9695	1.0	0.9655	0.7	97.3
Italy	(L)	2375.03	-8.88	402 - 603	2382.73	2371.44	2382.98	-3.8	2396.23	-3.6	2457.08	-3.5	74.0
Luxembourg	(LFr)	46.0515	+0.0738	073 - 957	46.1180	45.9700	45.9465	2.7	45.7465	2.6	44.8865	2.5	108.4
Netherlands	(Fl)	2.5093	+0.0065	076 - 109	2.5185	2.4994	2.5032	2.9	2.491	2.9	2.4428	2.6	108.5
Norway	(NKr)	9.7860	+0.0275	774 - 946	9.7946	9.7252	9.778	1.0	9.7643	0.9	9.7059	0.8	98.9
Portugal	(Es)	232.952	+0.366	814 - 089	233.658	232.421	233.377	-2.2	234.262	-2.3	-	-	95.3
Spain	(Pta)	188.926	+0.396	832 - 020	189.020	188.426	189.346	-2.7	190.201	-2.7	193.281	-2.3	82.0
Sweden	(SKr)	10.2934	+0.007	830 - 037	10.4337	10.2372	10.2948	-0.2	10.2978	-0.2	10.3002	-0.1	87.4
Switzerland	(SFr)	1.8282	+0.0075	269 - 295	1.8295	1.8199	1.8216	4.3	1.8083	4.4	1.7586	3.9	113.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.3
Ecu	-	1.2122	+0.0009	115 - 128	1.2140	1.2100	1.2108	1.4	1.2081	1.3	1.1962	1.3	-
SDR†	-	1.043700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5348	-0.004	343 - 353	1.5405	1.5343	-	-	-	-	-	-	-
Brazil	(R$)	1.5092	-0.0047	085 - 099	1.5208	1.5065	-	-	-	-	-	-	-
Canada	(C$)	2.1131	-0.0014	121 - 141	2.1182	2.1103	2.1115	0.9	2.1087	0.6	2.0989	0.7	83.3
Mexico	(New Peso)	11.5858	-0.0183	786 - 930	11.6138	11.5786	-	-	-	-	-	-	-
USA	($)	1.5351	-0.0039	348 - 355	1.5408	1.5343	1.5339	0.9	1.5317	0.9	1.521	0.9	95.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0128	-0.015	115 - 140	2.0296	2.0115	2.0147	-1.1	2.0195	-1.3	2.0428	-1.5	88.7
Hong Kong	(HK$)	11.8695	-0.0302	643 - 726	11.9115	11.8635	11.8582	1.1	11.8458	0.8	11.8006	0.6	-
India	(Rs)	53.9801	-0.7237	724 - 878	54.7540	53.7724	-	-	-	-	-	-	-
Israel	(Shk)	4.7690	-0.0089	648 - 731	4.7798	4.7512	-	-	-	-	-	-	-
Japan	(Y)	160.244	-0.589	151 - 337	161.050	159.980	159.479	5.7	157.989	5.6	152.094	5.1	138.7
Malaysia	(M$)	3.9096	-0.0117	066 - 105	3.9244	3.9066	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2920	+0.0074	904 - 935	2.2936	2.2864	2.2958	-2.0	2.309	-2.0	2.3428	-2.2	104.3
Philippines	(Peso)	40.1646	-0.1649	144 - 147	40.2147	40.1144	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7572	-0.0149	552 - 592	5.7786	5.7547	-	-	-	-	-	-	-
Singapore	(S$)	2.1676	+0.0002	664 - 687	2.1723	2.1664	-	-	-	-	-	-	-
South Africa	(R)	5.8547	-0.0312	491 - 602	5.8778	5.8408	-	-	-	-	-	-	-
South Korea	(Won)	1200.95	+1.76	036 - 153	1205.14	1189.26	-	-	-	-	-	-	-
Taiwan	(T$)	42.2085	-0.1079	938 - 232	42.3615	42.1902	-	-	-	-	-	-	-
Thailand	(Bt)	38.6679	-0.0841	412 - 946	38.7870	38.6412	-	-	-	-	-	-	-

† Rates for Feb 27 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.2774	+0.0598	746 - 801	10.2801	10.2150	10.2614	1.9	10.2299	1.8	10.1074	1.7	106.2
Belgium	(BFr)	30.0000	+0.125	800 - 200	30.0200	29.8470	29.955	1.8	29.863	1.8	29.53	1.6	108.2
Denmark	(DKr)	5.6453	+0.0283	440 - 465	5.6476	5.6127	5.6419	0.7	5.6363	0.6	5.6528	-0.1	108.6
Finland	(FM)	4.5160	+0.0097	122 - 197	4.5234	4.4877	4.5115	1.2	4.503	1.2	4.4865	0.7	83.7
France	(FFr)	5.0098	+0.0195	090 - 105	5.0136	4.9845	5.0057	1.0	5.0001	0.8	4.9858	0.5	109.1
Germany	(DM)	1.4614	+0.0086	610 - 617	1.4625	1.4521	1.4593	1.7	1.4547	1.8	1.4381	1.6	110.2
Greece	(Dr)	239.560	+0.61	440 - 680	239.710	238.680	241.135	-7.9	244.385	-8.1	259.06	-8.1	65.6
Ireland	(I£)	1.5795	-0.0064	785 - 805	1.5875	1.5784	1.5798	-0.2	1.58	-0.1	1.574	0.3	-
Italy	(L)	1547.20	-1.8	700 - 740	1549.96	1541.00	1553.55	-4.9	1565.3	-4.7	1616.2	-4.5	73.1
Luxembourg	(LFr)	30.0000	+0.125	800 - 200	30.0200	29.8470	29.948	2.1	29.86	1.9	29.555	1.5	108.2
Netherlands	(Fl)	1.6347	+0.0078	342 - 352	1.6374	1.6232	1.6317	2.2	1.6252	2.3	1.603	1.9	108.1
Norway	(NKr)	6.3751	+0.0343	713 - 788	6.3793	6.3270	6.3728	0.4	6.3646	0.7	6.3476	0.4	98.2
Portugal	(Es)	151.755	+0.64	710 - 800	151.980	150.980	152.13	-3.0	152.9	-3.0	156.505	-3.1	95.4
Spain	(Pta)	123.075	+0.705	050 - 100	123.110	122.370	123.47	-3.8	124.205	-3.7	127.695	-3.8	81.9
Sweden	(SKr)	6.7056	+0.0216	008 - 103	6.7749	6.6484	6.7226	-3.1	6.7521	-2.8	6.8896	-2.7	86.8
Switzerland	(SFr)	1.1910	+0.008	905 - 915	1.1915	1.1810	1.1874	3.6	1.1805	3.5	1.1567	2.9	113.5
UK	(£)	1.5351	-0.0039	346 - 355	1.5408	1.5343	1.5339	0.9	1.5317	0.9	1.521	0.9	82.7
Ecu	-	1.2664	-0.0042	660 - 667	1.2723	1.2647	1.2667	-0.3	1.2671	-0.2	1.2677	-0.1	-
SDR†	-	0.67750	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.9832	-0.0005	830 - 833	0.9870	0.9831	-	-	-	-	-	-	-
Canada	(C$)	1.3766	+0.0026	763 - 768	1.3768	1.3740	1.3768	-0.1	1.3769	-0.1	1.3819	-0.4	82.5
Mexico	(New Peso)	7.5475	+0.0075	450 - 500	7.5500	7.5400	7.5498	-0.4	7.553	-0.3	7.5578	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3111	-0.0064	108 - 116	1.3117	1.3172	1.3131	-1.8	1.3166	-1.7	1.3353	-1.8	89.1
Hong Kong	(HK$)	7.7317	+0.0002	312 - 322	7.7322	7.7312	7.7324	-0.1	7.7342	-0.1	7.7812	-0.4	-
India	(Rs)	35.1650	-0.38	400 - 900	35.5800	35.0400	35.315	-5.1	35.62	-5.2	37.09	-5.5	-
Israel	(Shk)	3.1067	+0.0021	049 - 085	3.1085	3.0919	-	-	-	-	-	-	-
Japan	(Y)	104.390	-0.115	360 - 420	104.600	103.890	103.955	5.0	103.155	4.7	100.085	4.1	138.9
Malaysia	(M$)	2.5462	-0.0011	457 - 467	2.5485	2.5428	2.5471	-0.4	2.5532	-1.1	2.5767	-1.2	-
New Zealand	(NZ$)	1.4930	+0.0087	925 - 937	1.4937	1.4886	1.4961	-2.5	1.5019	-2.4	1.5265	-2.2	-
Philippines	(Peso)	26.1650	-0.04	400 - 900	26.1900	26.1400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4121	+0.0038	117 - 124	1.4125	1.4068	1.4085	3.0	1.4025	2.7	1.3771	2.5	-
South Africa	(R)	3.8140	-0.0105	115 - 165	3.8175	3.7930	3.8428	-9.0	3.8942	-8.4	4.1175	-8.0	-
South Korea	(Won)	782.350	+3.15	200 - 500	782.500	779.400	785.35	-4.6	788.85	-3.3	807.35	-3.2	-
Taiwan	(T$)	27.4965	+0.0005	950 - 980	27.4980	27.4950	27.5165	-0.9	27.5565	-0.9	-	-	-
Thailand	(Bt)	25.1900	+0.01	800 - 000	25.2010	25.1750	25.2888	-4.7	25.4925	-4.8	26.375	-4.7	-

† SDR rate per $ for Feb 27. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 27: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	10	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.72
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.72
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	-	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	-	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	-	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	-	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.88	4.91	4.94	5.02	-	-	-
week ago	-	4.88	4.98	5.00	5.01	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.52	95.56	+0.09	95.59	95.52	19,691	49,875
Jun	95.53	95.59	+0.09	95.60	95.52	12,226	56,481
Sep	95.48	95.55	+0.09	95.56	95.48	4,677	48,804

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.64	96.67	+0.03	96.69	96.64	19622	153321
Jun	96.70	96.73	+0.04	96.75	96.70	33620	181175
Sep	96.53	96.58	+0.06	96.61	96.53	36541	192618
Dec	96.23	96.29	+0.06	96.33	96.22	24377	161426

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.30	90.30	+0.10	90.35	90.25	10994	36500
Jun	90.78	90.84	+0.14	90.91	90.78	9922	34157
Sep	91.10	91.18	+0.14	91.15	91.10	2407	18858
Dec	91.18	91.23	+0.13	91.23	91.15	1555	12982

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.33	98.30	+0.01	98.33	98.30	2306	20290
Jun	98.23	98.22	-	98.25	98.21	4181	19933
Sep	98.05	98.05	+0.03	98.09	98.03	1767	12296
Dec	97.75	97.75	+0.03	97.80	97.72	1786	8238

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.31	95.33	+0.05	95.33	95.29	1128	7656
Jun	95.41	95.40	+0.05	95.41	95.37	558	5134
Sep	95.27	95.32	+0.07	95.32	95.27	213	3097
Dec	95.09	95.10	+0.05	95.11	95.08	130	3055

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9025	0.16	0.79	1.24	0.11	0.20	0.31
9050	0.07	0.61	1.05	0.27	0.27	0.38
9075	0.02	0.44	0.89	0.47	0.35	0.46

Est. vol. total, Calls 2466 Puts 1477. Previous day's open int., Calls 25293 Puts 19993

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.70	4.871	2.111	5157	5.448	21.25	505.8	410.2	22.35	3.970	2.172	4.588	3.333	347.9	2.632
Denmark	(DKr)	53.14	10	8.874	2.588	1.122	2741	2.895	11.29	268.8	218.0	11.87	2.109	1.154	2.438	1.771	184.9	1.399
France	(FFr)	59.88	11.27	10	2.917	1.264	3088	3.263	12.73	302.9	245.6	13.38	2.377	1.300	2.748	1.996	208.3	1.576
Germany	(DM)	20.53	3.864	3.428	1	0.433	1059	1.119	4.363	103.8	84.22	4.588	0.815	0.446	0.942	0.684	71.42	0.540
Ireland	(I£)	47.38	8.916	7.912	2.308	1	2443	2.581	10.07	239.6	194.3	10.59	1.881	1.029	2.174	1.579	164.8	1.247
Italy	(L)	1.939	0.365	0.324	0.094	0.041	100.	0.106	0.412	9.806	7.954	0.433	0.077	0.042	0.089	0.065	6.745	0.051
Netherlands	(Fl)	18.35	3.454	3.065	0.894	0.387	946.6	1	3.900	92.83	75.29	4.101	0.729	0.399	0.842	0.612	63.85	0.483
Norway	(NKr)	47.06	8.856	7.858	2.292	0.993	2427	2.564	10	238.0	193.0	10.52	1.868	1.022	2.159	1.569	163.7	1.239
Portugal	(Es)	19.77	3.721	3.302	0.963	0.417	1020	1.077	4.202	100.	81.11	4.418	0.785	0.429	0.907	0.659	68.78	0.520
Spain	(Pta)	24.38	4.588	4.071	1.187	0.515	1257	1.328	5.181	123.3	100.	5.447	0.968	0.529	1.119	0.813	84.81	0.642
Sweden	(SKr)	44.75	8.422	7.473	2.180	0.945	2308	2.438	9.510	226.3	183.6	10	1.776	0.972	2.053	1.492	155.7	1.178
Switzerland	(SFr)	25.19	4.741	4.207	1.227	0.532	1299	1.373	5.353	127.4	103.3	5.629	1	0.547	1.156	0.840	87.64	0.663
UK	(£)	46.05	8.666	7.690	2.243	0.972	2375	2.509	9.786	232.9	188.9	10.29	1.828	1	2.113	1.535	160.2	1.212
Canada	(C$)	21.79	4.101	3.639	1.062	0.460	1124	1.187	4.631	110.2	89.40	4.870	0.865	0.473	1	0.726	75.82	0.574
US	($)	30.00	5.646	5.010	1.461	0.633	1547	1.635	6.375	151.7	123.1	6.704	1.191	0.651	1.377	1	104.4	0.790
Japan	(Y)	28.75	5.409	4.800	1.400	0.607	1483	1.566	6.109	145.4	117.9	6.423	1.141	0.624	1.319	0.958	100.	0.757
Ecu		38.00	7.150	6.345	1.851	0.802	1960	2.070	8.074	192.2	155.9	8.490	1.508	0.825	1.743	1.267	132.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6894	0.6859	-0.0035	0.6869	0.6855	17,414	65,369
Jun	0.6912	0.6886	-0.0040	0.6901	0.6886	279	8,434
Sep	-	0.6931	-0.0027	0.6931	0.6931	23	1,485

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9618	0.9590	-0.0020	0.9620	0.9580	24,518	66,830
Jun	0.9700	0.9698	-0.0022	0.9724	0.9698	1,035	5,812
Sep	-	0.9828	-	-	-	106	869

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8480	0.8415	-0.0063	0.8480	0.8415	9,420	34,916
Jun	0.8525	0.8486	-0.0064	0.8525	0.8488	291	2,778
Sep	0.8600	0.8600	-0.0021	0.8600	0.8600	3	239

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5400	1.5358	-0.0040	1.5400	1.5344	8,524	40,124
Jun	1.5350	1.5326	-0.0040	1.5350	1.5320	101	10,548
Sep	-	1.5360	-	-	-	9	3

UK INTEREST RATES

LONDON MONEY RATES

Feb 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 5.8280pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 29, 1996. Agreed rate for period Mar 26, 1996 to Apr 25, 1996, Schemes II & III 7.48pc. Reference rate for period Feb 1, 1996 to Feb 29, 1996, Schemes IV & V 6.238pc. Finance House Base Rate 6.6pc from February 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.92	93.91	-	93.93	93.90	7079	83037
Jun	93.97	93.99	+0.03	94.03	93.97	15257	77160
Sep	93.87	93.89	+0.04	93.91	93.85	8296	54867
Dec	93.63	93.63	+0.04	93.65	93.60	3472	43101
Mar	93.30	93.30	+0.03	93.33	93.28	1717	31039

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.19	0.34	0.43	0.03	0.10	0.29
9400	0.01	0.18	0.29	0.13	0.19	0.40
9425	0	0.06	0.18	0.34	0.34	0.54

Est. vol. total, Calls 12011 Puts 1917. Previous day's open int., Calls 157440 Puts 155964

EMS EUROPEAN CURRENCY UNIT RATES

Feb 28	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.150	-0.126	-2.06	5.55	14
Netherlands	2.15214	2.11676	-0.00284	-1.64	5.13	12
Belgium	39.3960	38.8609	-0.0337	-1.36	4.82	10
Austria	13.4383	13.2967	-0.019	-1.06	4.51	8
Germany	1.91007	1.89050	-0.00266	-1.02	4.47	10
Denmark	7.28580	7.30572	-0.00769	0.27	3.12	-2
Portugal	195.792	196.329	+0.06	0.27	3.12	-2
France	6.40608	6.48503	-0.00178	1.23	2.14	-10
Ireland	0.792214	0.819145	-0.000377	3.40	0.00	-23
NON ERM MEMBERS						
Greece	292.867	310.174	-0.621	5.91	-2.37	-
Italy	2106.15	2006.98	-14.76	-4.72	8.52	-
UK	0.786652	0.843206	+0.003684	7.19	-3.54	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.500	3.87	4.06	4.39	0.07	0.33	0.67
1.510	2.92	3.24	3.66	0.13	0.44	0.84
1.520	2.08	2.51	2.99	0.28	0.71	1.27
1.530	1.35	1.91	2.44	0.43	1.06	1.69
1.540	0.75	1.37	1.91	0.75	1.45	2.17
1.550	0.37	0.95	1.49	1.38	2.11	2.88

Previous day's vol., Calls 6,356 Puts 7,605. Prev. day's open int., Calls 169,867 Puts 193,599

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.72	94.73	-	94.76	94.72	58,992	333,626
Jun	94.85	94.86	-	94.96	94.84	127,736	403,603
Sep	95.33	94.90	-0.01	95.04	94.87	123,308	330,594

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.21	95.22	-	95.23	95.21	880	5,355
Jun	95.30	95.30	-	95.32	95.30	1,125	6,301
Sep	95.33	95.34	+0.02	95.34	95.31	86	1,391

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9650	0.19	0.26	0.28	0.30	0.02	0.03	0.05	0.07
9675	0.03	0.09	0.12	0.13	0.11	0.11	0.14	0.15
9700	0.01	0.02	0.03	0.05	0.34	0.29	0.30	0.32

Est. vol. total, Calls 5484 Puts 8283. Previous day's open int., Calls 398647 Puts 320050

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9825	0.10	0.16	0.18	0.05	0.18	0.23
9850	0.02	0.07	0.09	0.22	0.35	0.53
9875	0.01	0.02	0.04	0.46	0.55	0.74

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9845 Puts 4622

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	•Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	•Smith & Williamson Secs	6.25
•Henry Ansbacher	6.25	•Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	•Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	•Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	•Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25	• Members of London Investment Banking Association	
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	* In administration	
•Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	•Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		•Rea Brothers	6.25		

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		525	+1	569	478½	5,430	5.6	19.0
Bulmer (HP)		555	—	560	398	295.2	2.8	17.5
Burn St Dist		121	—	148	99	71.8	5.2	26.0
Grand Met		435xd	+2	467	363½	9,166	4.3	16.7
Guinness		482	+9	536	404	9,388	3.8	14.3
Highland		385	+6	405	315	498.2	2.7	16.5
Kirin Y		787½	-1	808	621	8,078	0.8	29.3
Macallan-Glen		164	+1	217	157	132.5	1.0	36.4
Macdon Martin A		635	—	680	600	87.0	2.1	17.9
Matthew Clark		687xd	-1	694	541	605.9	4.0	–
Merrydown		108	—	140	88	11.8	2.3	–
Seagram $		£22⅜	-⅛	£25⅝	£16⅞	6,174	1.3	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		50½	—	90½	50½	6.31	19.8	–
Cater Allen		487	—	525	424	152.2	8.0	7.7
Close Bros		377	+14	382	227	480.3	2.9	16.7
Gerrard & Nat		418	—	472	385	204.0	6.7	13.5
Hambros		216	+11	225	180	385.4	4.3	–
7½pc Cv Pf		99½xd	+2½	107½	94	120.2	9.4	–
Joseph (L)		450	—	463	353	23.9	5.2	15.5
King & Shaxson		165	—	165	85	40.9	7.3	12.0
Rea Brothers		66	—	67	44	29.0	2.1	24.0
Schroders		1270	-3	1478	905¼	1,917	1.4	18.1
N/V		1080	—	1180	823¼	440.0	1.8	14.2
[illegible]		[illegible]						

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

	Notes	Price	+ or -	52 week high	52 week low	Yld Gr's	NAV	Dis or Pm(-)
Gartmore High Extra Inc	♣v	92xd	—	95	90	13.0	103.4	11.0
Warrants		10	—	13	10	–	–	–
Prf		103	—	108½	101	–	–	–
HTR Inc & Grth Spl Inc	♣v	102	—	115	95	8.5	115.5	11.8
Zero Div Pf		120½	—	125	102	–	–	–
Henderson Eurotrust	♣‡v	108	—	112	80	3.2	145.1	24.9
Units	‡v	153	—	154	115	2.3	178.1	14.1
Zero Prf		42½	—	44½	35½	–	–	–
Hong Kong	v	53½xd	—	58	35	4.7	64.8	17.4
Zero Div Pref		41¼	—	41¼	37	–	–	–
IBS Opportunity Inc	♣†v	93	—	103	78	11.3	108.3	14.1
Zero Div Pref		261	—	261½	220	–	–	–
INVESCO Blue Chip	♣v	60	—	72	51	17.5	69.9	14.2
Zero Pf		182½	—	185½	162½	–	–	–
INVESCO Recovery	♣v	85	—	110	84	11.8	109.3	22.2
Pfd Growth		169½	–½	171	149	–	–	–
Johnson Fry Euro	♣†v	73	—	88	72	7.8	106.7	31.8
Zero Prf		127¼	–¼	132½	106	–	–	–
Johnson Fry Second	♣v	71xd	—	98	71	12.8	92.4	23.2
Zero Div Pf		118	–½	122½	99	–	–	–
Johnson Fry Utls	♣‡v	84	—	108	84	11.9	102.5	18.1
Zero Prf		128½	–½	132	108½	–	–	–
Jos Hldgs Capital	♣v	120	—	123	98	–	259.1	53.7
Income	v	95	—	99½	91	17.8	–	–
Zero Div Pref		191½	—	192	124	–	–	–
Jove Income	♣†v	57	—	65	57	13.4	–	–
Capital		34	—	43	34	–	55.0	38.2
Jupiter Euro	v	78	+½	83	69	3.6	117.7	35.1
Warrants		45	—	48	45	–	–	–
Zero Div Pref		60	—	62	51¼	–	–	–
Jupiter Ind Green	v	38xd	—	52	35	12.3	57.4	33.8
Warrants		29	—	31	24	–	–	–
Units	v	115xd	—	128	99	4.1	126.0	8.7
Zero Pf		78½	–¼	80	64¼	–	–	–
Jupiter Split Inc	♣□	95½	—	101	95½	9.4	–	–
Cap	□	82½	–½	88	73	–	–	–
Units		£28¼xd	—	259	258	0.25	3860.2	0.6
Annuity Prf		82xd	—	103	90	17.9	–	–
Zero Div Prf		103½	–1	108½	103¼	–	–	–
Keystone High Inc	♣‡v	78xd	–1	91	74	14.1	96.8	21.5
Zero Div Prf		180½	–½	182	160½	–	–	–
Lloyds Smlr Uts	♣†v	128½	—	130	102	3.8	146.4	12.2
Capital		102	—	102	77	–	144.9	29.6
Dividend	†v	27	—	29	25	17.1	–	–
M & G Dual Inc	♣†□	178xd	—	255	173	–	–	–
Cap	♣□	2905	—	3073	2533	–	3249.8	10.6
M & G Income Inc	†v□	29¼	—	37	29¼	21.8	–	–

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£30½	—	£34¼	£29	2,836	2.7	15.6
Barlow	♣	595	—	£10⅛	543	1,765	1.6	Φ
Gold Flds Prop R		149xd	—	179	136	16.2	8.9	6.9
NK Props		95	—	96	85	3.82	11.5	–
SASOL	♥	595	—	649	475	3,308	2.4	–
SA Brews		£22⅜	—	£25¼	£16¼	6,719	1.5	31.8
Standard Bank	□	£28⅝	+⅜	£32⅞	£20⅜	3,432	1.6	20.5
Tiger Oats		1160	—	1270	850	1,730	1.6	Φ
Tongaat-Hulett	†	1084	—	1247	836	1,907	1.8	21.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. *Highs and lows are based on intra-day mid-prices over a rolling 52 week period.*

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- ▪ Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ¥ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield Gr's

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prd Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414181 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

Prices for dealing February 28

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

Newport Investment Management
73 Front Street, Hamilton, Bermuda

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda
Orion Feb 22 ... $28.18

BERMUDA (REGULATED)(**)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 296, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 296, St Peter Port, Guernsey 01481 710851

GUERNSEY (REGULATED)(**)

Selling Price | Buying Price | + or - | Yield Gross

ANZ Mngmt Co (Guernsey) Ltd
Apollo Investment Management Ltd
Arab Bank Fund Managers (Guernsey) Ltd
BZW Asset Management Guernsey Ltd
Bachmann Global Investment Fund Ltd
CIBC Fund Managers (Guernsey) Ltd

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Gains in second liners lift Mid 250 to new record

By Steve Thompson, UK Stock Market Editor

A determined rally on Wall Street, combined with excellent UK corporate news and fresh hopes of developing takeover activity, saw London stocks make good progress.

The FT-SE 100 index built on early strength, gradually gathering momentum and eventually closing an active session at the day's high, 3,738.2, for a gain of 22.3.

Over the past two sessions, the index has advanced 34 points, leaving it only 43.1 below its record closing high and 53.4 short of its intra-day peak.

There was much more enthusiasm around the trading desks for the second-liners, which were given a big lift by the prospect of further bid activity in the pipeline. The FT-SE Mid 250 index ended comfortably above the 4,200 level, adding 16.8 at 4,215.5.

Casino/hotels stocks, such as Stakis and London Clubs, were among the main upside performers in the second line stocks, following the consultative document on the UK gambling industry which indicated a much more liberal attitude to the sector.

Earlier, the equity market had looked uncertain in the wake of Tuesday's slide on Wall Street, where the Dow Jones Industrial Average fell in excess of 50 points before stabilising and closing a net 16 points down after slightly conflicting evidence on US economic trends.

The downbeat showing by Wall Street and renewed uncertainty in the US bond market ensured a cautious opening by the London market, which was also wary of the outcome of the auction of £3bn worth of gilts.

A good run by gilt-edged stocks in the early part of the day gave some support to equities, as did the latest firm showing by bunds, helped by lingering hopes that today's Bundesbank council meeting might bring a cut in German interest rates.

Gilts quickly ran out of steam after the result of the latest auction, which was covered only 1.48 times. Disappointment at the cover saw gilts give up initial gains of half a point, before embarking on a late upturn which saw the 10-year gilt some 10 ticks better at the close.

Opening some three points higher, the Footsie gathered speed during the session and was looking well set by the end of the day.

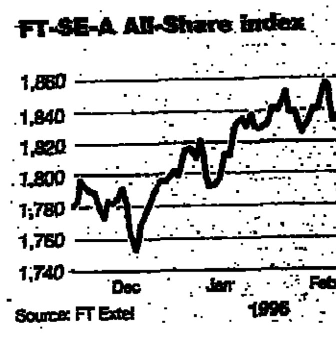
"The market does feel as if it is going higher in the short term," commented one senior dealer, who pointed to the recovery by Wall Street and the much better feeling in bond markets.

Bank shares continued to figure prominently in the FT-SE 100 best performers list. Standard Chartered delivered a stunning showing, with the shares up some 6 per cent on the back of record profits figures. The stock has long been viewed as one of the Footsie's premier takeover targets.

Lasmo, another takeover target and due to announce preliminary numbers this morning, also outpaced the index, as did British Steel, where speculation about a share buyback increased.

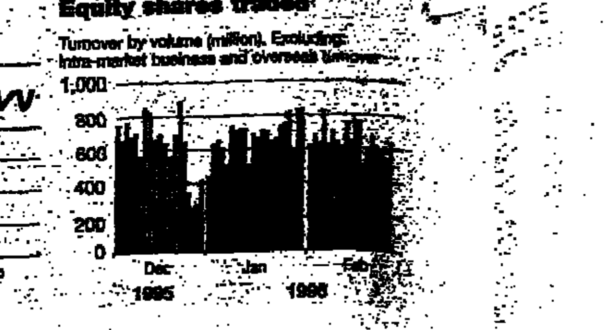
Market turnover continued to expand, reaching a healthy 785m shares at the 6pm reading. Customer business on Tuesday was worth £1.9bn.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3738.2	+22.3
FT-SE Mid 250	4215.5	+16.8
FT-SE-A 350	1868.3	+10.3
FT-SE-A All-Share	1844.44	+9.82
FT-SE-A All-Share yield	3.78	(3.79)
FT Ordinary index	2756.2	+10.5
FT-SE-A Non Fins p/e	17.35	(17.28)
FT-SE 100 Fut Mar	3742.0	+22.0
10 yr Gilt yield	7.88	(7.92)
Long gilt/equity yld ratio:	2.20	(2.20)

Best performing sectors

1 Tobacco .... +2.4
2 Oil Exploration .... +1.8
3 Banks, Retail .... +1.8
4 Oil, Integrated .... +1.1
5 Breweries, Pub & Rest .... +1.1

Worst performing sectors

1 Extractive Inds .... -0.4
2 Pharmaceuticals .... -0.3
3 Insurance .... -0.2
4 Gas Distribution .... -0.2
5 Media .... -0.2

Buyback buzz at Steel

British Steel shot forward following a company presentation said to be guarded on trading prospects but to have given added impetus to share buyback speculation.

The shares, which stood at 132p at the beginning of the year, have been a strong market in recent days on talk that the management had a buyback at the very top of its agenda.

However, there were conflicting reports yesterday from Rotherham, where the presentation was held.

UBS and Cazenove, British Steel's joint brokers, were said to be adopting opposing stances on the prospect.

Cazenove was believed to be anxious to scotch the rumour, whereas UBS was said to be actively talking it up.

In the event, the stock appreciated 6 to 186p in turnover of 24m, its heaviest volume for eight months.

US link for BP

Oil major BP rose 7½ to 529p as the market got wind of restructuring in the company's downstream operations.

A number of rumours were flying around, but they focused on a merger with Mobil, of the US, either in the whole of Europe or specific parts of it. An announcement was thought to be imminent.

One analyst suggested that any joint operation could produce significant cost savings, as well as synergy in refining and distribution.

Additionally, the shares responded to a strong crude oil price, which also helped Shell Transport, up 6¼ at 849½p.

British Gas eased as Ofgas, the industry regulator, said it planned to publish tougher price controls in draft proposals due out in April. The shares lost ½ to 237½p.

Trafalgar dips

Sell into strength advice from a number of brokers led to profit-taking at Trafalgar House, the loss-making diversified industrial at the centre of the City's latest bid buzz.

The shares have jumped 25 per cent in two days on the news that talks were under way with Norwegian shipbuilding and energy engineer Kvaerner, but yesterday they stood back and took a breather, dipping 1¼ to 45¾p in 18m traded.

Kvaerner itself helped to diffuse the situation, announcing that the Trafalgar talks represented one of several business possibilities being explored as part of the group's longer term strategy.

One top broker said: "There is possibly 10p of downside in Trafalgar, while the upside is an unknown quantity. The Kvaerner talks may turn into something less than an outright offer."

Rumours suggesting the government would soon announce proposals to extend drinking hours boosted public houses-related stocks yesterday.

The talk suggested that the Home Office is currently planning a consultative paper, which will suggest an extension of pub opening hours on Fridays and Saturdays from 11pm to 12pm. Such a move is expected to be highly profitable for pub owners.

Shares in Whitbread advanced 11 to 721p on the speculation, while Scottish & Newcastle put on 8 at 670p. Vaux Group rose 3 to 282p, with the return of speculative interest also said to have been a factor in the day's advance.

The same talk also helped Bass, although sentiment in the stock was enhanced by the excitement over government plans to ease the regulations surrounding the gambling industry. The shares surged 12 to 754p in turnover of 1.9m.

French press reports that Lucas Industries was teeing up a bid for a big stake in French motor parts group Valeo left the shares a penny off at 186p. An Italian-owned shareholding of up to 28 per cent was said to be up for sale. Lucas was mentioned as a potential buyer, along with Siemens, of Germany, and General Motors, of the US.

British Aerospace dipped 6 to 869p ahead of today's results statement, while Weir Group advanced 15 to 245p as a big purchase passed through the market.

Vosper Thornycroft fell 43 to 833p on news that it had failed to win a Royal Navy order for three frigates and was set to implement redundancies.

Standard Chartered, last year's star Footsie performer, surged to approach its previous record high, as its full-year figures delighted the market. The shares jumped 37 to 636p – the day's biggest rise among the blue chips – after Standard produced profits figures at the top of the range of forecasts and a 38 per cent dividend increase.

Consensus forecasts for the current year were being lifted to between £780m and £800m, from around £730m previously, with Standard speaking enthusiastically about prospects in Asia and Hong Kong, where some two-thirds of profits are generated.

Merrill Lynch strengthened its buy recommendation, raising its current year forecast by £76m to £811m and its 1997 figure by £108m to £935m. It argued that a doubling of the dividend over the next three or four years was not unforeseeable.

However, UBS maintained a more cautious view. The broker said bad debts in Asia are trending higher and the stock is expensive. It has bottom of the range forecasts of £725m for this year and £780m for 1997.

Vodafone continued to soften. Credit Lyonnais Laing urged clients to switch out of Vodafone and sideline their cash in advance of next month's flotation of rival mobile phones group Orange. The shares declined a penny to 226½p.

Proposals to relax regulations on the UK gambling industry, published on Tuesday, sparked a wave of buying interest in gambling related stocks.

Big advances were seen in London Clubs, where the shares jumped 25 to 515p on volume of 1.6m, and in Capital Corporation, up 5 at 224p. Stanley Leisure gained 38 at 419p, while heavy dealing in Stakis brought turnover of 12m as the shares appreciated 9½ to 100½p, the first time the stock has closed above the 100p level since 1989.

Both stocks were said to have benefited from a James Capel recommendation. The broker was reported to have increased its earnings estimates for several gambling related stocks in the wake of publication of the proposals.

However, one cautious broker warned: "I think the market has ran too far on expectations of these changes. I expect little action on the proposed changes ahead of a general election at the earliest. Yes, they will mark a big change to the UK gambling business, but it will take quite a while before there is an impact on earnings."

Ladbroke Group improved 3 to 184p on the prospects for its gaming businesses after the proposed changes take effect. The session also saw the return of bid talk, with Bass once again mentioned as its possible suitor.

Textile shares were flat, partly held down by a generally gloomy note from Wise Speke, the north of England broker. Wise believes: "The underlying unease and tough trading conditions look set to continue." Among the leaders, Courtaulds Textiles and Dawson International were unchanged at 426p and 95p respectively.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 28	Feb 27	Feb 26	Feb 23	Feb 22	Yr ago	*High	*Low
Ordinary Share	2756.2	2745.7	2738.9	2760.6	2781.5	2268.2	2788.2	2238.3
Ord. div. yield	3.88	3.90	3.91	3.88	3.88	4.66	4.73	3.76
P/E ratio net	16.60	16.46	16.40	16.14	16.13	16.48	21.33	15.35
P/E ratio nil	16.56	16.25	16.18	15.93	15.93	16.00	22.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2788.2 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2749.8	2756.4	2751.8	2750.2	2750.0	2753.1	2753.6	2754.2	2753.9	2757.3	2749.6

	Feb 28	Feb 27	Feb 26	Feb 23	Feb 22	Yr ago
SEAQ bargains	32,378	31,461	34,511	31,891	31,140	20,840
Equity turnover (£m)†	-	1886.6	1574.9	1702.3	1999.0	1478.5
Equity bargains†	-	37,861	39,245	37,497	36,6881	27,247
Shares traded (mil)†	-	635.0	547.2	597.2	625.2	562.2

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	692	Total Highs	113	Total contracts	34,123
Total Falls	437	Total Lows	23	Calls	19,844
Same	1,667			Puts	14,279

Feb. 28 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3727.0	3742.0	+22.0	3748.0	3722.0	11164	53572
Jun	3731.0	3744.5	+22.0	3743.0	3728.0	1732	17444
Sep	3750.0	3760.5	+20.5	3750.0	3746.0	189	2173

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4210.0	4210.0	+12.0	4210.0	4210.0	500	3706
Jun	4225.0	4225.0	+15.0	4225.0	4225.0	490	200

FT-SE 100 INDEX OPTION (LIFFE) (*3736) £10 per full index point

	3550		3600		3650		3700		3750		3800		3850		3900	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Mar	[illegible]															
Apr	[illegible]															
May	[illegible]															
Jun	[illegible]															
Dec†	[illegible]															

Calls 5,906 Puts 5,401

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575		3625		3675		3725		3775		3825		3875		3925	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Mar	[illegible]															
Apr	[illegible]															
May	[illegible]															
Jun	[illegible]															
Sept†	[illegible]															

Calls 1,845 Puts 4,831 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	50.5	505	488	BZW Eq (Bonds)	505	+2				
-	F.P.	6.28	8½	5½	†Ballymanay	6					
7.5	F.P.	14.7	8½	5¾	Clubhaus	6					11.1
-	F.P.	0.07	5½	3¼	Clubhaus Wts	5¼					
-	F.P.	13.1	90	70	†Dmatek	[illegible]					
-	F.P.	13.9	15	11	Ex-Lands Props	12½		LN0.5		5.0	
-	F.P.	0.19	13½	8½	Ex-Land Wts	8½					
12	F.P.	56.8	16	15	†Freepages	15½	+½				
60	F.P.	33.8	65	62	MediaKey	62	-1	LN0.95		1.6	
-	F.P.	0.13	8	8	†Nthrn Prim Wts	8					
-	F.P.	15.8	71	66	†Optical Care (5)	66					
-	F.P.	3.10	13	12	Ormonde	12					
-	F.P.	1.13	105	100	†Revelation P'dilly	100					
54	F.P.	2.92	60	50	†Self Sealing Sys	50					
175	F.P.	122.4	223	198	Shire Pharms	201					
-	F.P.	0.97	9	6	†SkyePharma Wts	7					

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 27	% chg on day	Feb 26	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (33)	2336.04	-0.6	2347.46	1727.15	1.43	-	2528.73	1686.31
■ Regional Indices								
Africa (16)	3130.08	-1.2	3167.69	2605.29	2.77	36.13	3553.86	2272.74
Australasia (5)	2635.07	-0.3	2643.12	1971.43	2.34	40.19	2927.34	1929.15
North America (12)	2066.58	-0.2	2070.36	1434.71	0.85	62.37	2186.39	1398.96

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FT - SE Actuaries Share Indices — The UK Series

	Feb 28	Day's chge%	Feb 27	Feb 26	Feb 23	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3738.2	+0.6	3715.9	3704.2	3740.3	3041.2	3.93	2.06	15.46	19.12	1502.00
FT-SE Mid 250	4215.5	+0.4	4198.7	4195.0	4206.0	3394.1	3.49	1.73	20.74	24.97	1670.41
FT-SE Mid 250 ex Inv Trusts	4233.1	+0.4	4215.9	4211.2	4223.2	3402.9	3.61	1.78	19.45	26.27	1679.30
FT-SE-A 350	1868.3	+0.6	1858.0	1853.0	1868.5	1517.0	3.83	1.89	16.36	9.89	1535.89
FT-SE-A 350 Higher Yield	1872.7	+0.7	1860.4	1853.6	1871.6	1540.7	4.72	1.84	14.39	8.37	1278.40
FT-SE-A 350 Lower Yield	1863.6	+0.4	1860.4	1857.4	1870.1	1492.8	2.89	2.26	19.14	11.54	1283.70
FT-SE SmallCap	2050.25	+0.3	2044.61	2045.59	2048.02	1693.44	3.08	1.81	22.42	5.56	1662.07
FT-SE SmallCap ex Inv Trusts	2029.34	+0.3	2023.89	2024.51	2025.97	1671.88	3.29	1.90	20.01	4.89	1653.51
FT-SE-A ALL-SHARE	1844.44	+0.5	1834.62	1830.26	1844.41	1499.27	3.78	1.98	16.70	9.40	1540.28

■ FT-SE Actuaries All-Share

	Feb 28	Day's chge%	Feb 27	Feb 26	Feb 23	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3248.67	+0.9	3218.61	3213.19	3240.32	2599.50	3.99	1.51	20.75	22.58	1878.57
12 Extractive Industries(6)	4181.28	-0.4	4199.82	4142.00	4182.41	3454.88	3.79	2.39	13.77	85.48	1223.56
15 Oil, Integrated(3)	3277.87	+1.1	3241.39	3245.80	3272.46	2592.88	4.21	1.35	21.92	16.24	1421.01
16 Oil Exploration & Prod(15)	2257.98	+1.8	2218.13	2201.82	2219.65	1904.73	2.17	1.46	39.31	0.00	1340.26
20 GEN INDUSTRIALS(276)	2058.11	+0.4	2048.95	2044.72	2049.21	1791.42	4.02	1.87	16.62	2.20	1108.31
21 Building & Construction(34)	1081.35	+0.9	1071.62	1071.27	1073.83	915.36	3.74	2.02	16.52	1.16	891.88
22 Building Matls & Merchs(29)	1903.24	+0.8	1887.92	1889.36	1887.07	1867.06	3.94	2.03	15.64	0.61	944.88
23 Chemicals(23)	2520.04	+0.9	2498.33	2488.22	2495.34	2137.39	3.96	2.02	16.59	1.34	1174.16
24 Diversified Industrials(21)	1768.65	+0.3	1763.23	1750.23	1764.16	1778.31	5.58	1.48	15.13	3.32	968.94
25 Electronic & Elect Equip(38)	2363.01	......	2363.06	2376.33	2374.52	1888.61	3.05	1.84	22.27	2.04	1213.39
26 Engineering(71)	2318.51	+0.4	2310.39	2307.62	2300.02	1732.31	3.21	2.24	17.36	3.55	1389.93
27 Engineering, Vehicles(13)	2613.94	-0.1	2617.59	2623.46	2624.99	2060.33	3.92	1.26	25.33	0.23	1332.86
28 Paper, Pckg & Printing(26)	2714.33	+0.6	2698.67	2686.53	2711.89	2780.32	3.69	2.53	13.41	0.51	1113.59
29 Textiles & Apparel(19)	1503.77	+0.6	1494.11	1495.97	1495.23	1490.61	4.63	1.75	15.46	2.51	903.42
30 CONSUMER GOODS(81)	3606.24	+0.4	3591.97	3589.65	3627.53	2851.35	3.83	1.74	18.74	11.87	1312.61
32 Alcoholic Beverages(9)	2819.54	+0.9	2794.00	2787.28	2795.93	2560.93	4.31	1.67	17.37	28.48	1007.73
33 Food Producers(23)	2529.88	+0.4	2520.97	2519.90	2533.16	2348.36	4.31	1.70	17.02	4.64	1124.01
34 Household Goods(15)	2562.84	[illegible]									
36 Health Care(20)	1938.81	[illegible]									
37 Pharmaceuticals(13)	5097.46	[illegible]									
38 Tobacco(1)	4870.76	[illegible]									
40 SERVICES(253)	2225.31	[illegible]									
41 Distributors(32)	[illegible]										
42 Leisure & Hotels(29)	2907.16	[illegible]									
43 Media(45)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(43)	1909.34	[illegible]									
47 Breweries, Pubs & Rest.(25)	[illegible]										
48 Support Services(46)	[illegible]										
49 Transport(21)	[illegible]										
60 UTILITIES(33)	2459.51	[illegible]									
62 Electricity(12)	2780.44	[illegible]									
64 Gas Distribution(2)	1583.08	[illegible]									
66 Telecommunications(7)	2022.30	[illegible]									
68 Water(12)	2080.79	[illegible]									
69 NON-FINANCIALS(667)	1946.88	[illegible]									
70 FINANCIALS(105)	[illegible]										
71 Banks, Retail(9)	4182.31	[illegible]									
72 Banks, Merchant(6)	[illegible]										
73 Insurance(24)	1422.14	[illegible]									
74 Life Assurance(6)	3585.98	[illegible]									
77 Other Financial(23)	[illegible]										
79 Property(41)	1451.14	[illegible]									
80 INVESTMENT TRUSTS(126)	3134.57	[illegible]									
89 FT-SE-A ALL-SHARE(901)	1844.44	+0.5	1834.62	1830.26	1844.41	1499.27	3.78	1.98	16.70	9.40	1540.28
FT-SE-A Fledgling	1152.02	[illegible]									
FT-SE-A Fledgling ex Inv Trusts	1152.41	[illegible]									

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3719.8	3730.1	3726.9	3727.1	3728.6	3731.1	3731.8	3733.3	3735.8	3738.2	3719.6
FT-SE Mid 250	4201.7	4204.0	4205.1	4206.0	4205.8	4207.2	4208.8	4212.5	4215.5	[illegible]	4201.7
FT-SE-A 350	1859.7	1864.0	1862.9	1863.1	1863.8	1864.7	1864.9	1866.0	1867.1	1868.3	[illegible]

Time of FT-SE 100 Day's high: 4.30 PM Day's low: 8.30 AM. FT-SE 100 1996 High: 3781.3 (02/02/96) Low: 3664.2 (03/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1083.2	1083.2	1084.2	1085.2	1087.9	1090.4	1090.6	1091.0	1095.7	[illegible]	1082.7	14.8
Pharmaceuticals	5054.5	5059.2	5039.3	5024.1	5027.7	5027.0	5020.8	5033.5	5042.3	[illegible]	5057.0	-14.7
Water	2062.8	2067.0	2063.2	2066.3	2067.7	2070.2	2070.9	2072.8	2073.3	[illegible]	2063.9	9.7
Banks, Retail	4170.8	4198.4	4207.4	4209.1	4213.8	4220.9	4229.0	4234.7	4241.1	4245.9	4172.5	73.2

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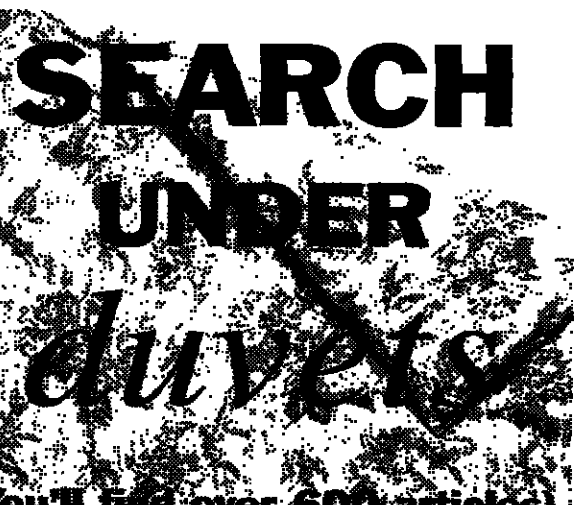
TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i	[illegible]	[illegible]	[illegible]
ASDA Group†	[illegible]	[illegible]	[illegible]
Abbey National†	[illegible]	[illegible]	[illegible]
Albert Fisher	[illegible]	[illegible]	[illegible]
Allied Domecq†	[illegible]	[illegible]	[illegible]
Anglian Water	[illegible]	[illegible]	[illegible]
Argos	[illegible]	[illegible]	[illegible]
Argyll Group†	[illegible]	[illegible]	[illegible]
Arjo Wiggins	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods	[illegible]	[illegible]	[illegible]
Assoc. Brit. Ports	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT Inds.†	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BPB	[illegible]	[illegible]	[illegible]
BP†	[illegible]	[illegible]	[illegible]
BSkyB†	[illegible]	[illegible]	[illegible]
BT†	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
Bank of Scotland†	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Bowater	[illegible]	[illegible]	[illegible]
Britannic	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways†	[illegible]	[illegible]	[illegible]
British Gas†	[illegible]	[illegible]	[illegible]
British Land	[illegible]	[illegible]	[illegible]
British Steel†	[illegible]	[illegible]	[illegible]
Bunzl	[illegible]	[illegible]	[illegible]
Burmah Castrol	[illegible]	[illegible]	[illegible]
Burton†	[illegible]	[illegible]	[illegible]
Cable & Wireless†	[illegible]	[illegible]	[illegible]
Cadbury Schweppes†	[illegible]	[illegible]	[illegible]
Caradon	[illegible]	[illegible]	[illegible]
Carlton Comms.†	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Comm. Union†	[illegible]	[illegible]	[illegible]
Compass	[illegible]	[illegible]	[illegible]
Cookson†	[illegible]	[illegible]	[illegible]
Courtaulds†	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
De La Rue	[illegible]	[illegible]	[illegible]
Dixons†	[illegible]	[illegible]	[illegible]
East Midland Elec.	[illegible]	[illegible]	[illegible]
Electrocomponents	[illegible]	[illegible]	[illegible]
Eng China Clays	[illegible]	[illegible]	[illegible]
Enterprise Oil†	[illegible]	[illegible]	[illegible]
Eurotunnel Units	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Foreign & Col. I.T.†	[illegible]	[illegible]	[illegible]
Forte	[illegible]	[illegible]	[illegible]
Gen. Accident†	[illegible]	[illegible]	[illegible]
General Elect.†	[illegible]	[illegible]	[illegible]
Glaxo Wellcome†	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
Granada†	[illegible]	[illegible]	[illegible]
Grand Met.†	[illegible]	[illegible]	[illegible]
GUS†	[illegible]	[illegible]	[illegible]
Greenalls†	[illegible]	[illegible]	[illegible]
GRE†	[illegible]	[illegible]	[illegible]
GKN†	[illegible]	[illegible]	[illegible]
Guinness†	[illegible]	[illegible]	[illegible]
HSBC (75p shares)†	[illegible]	[illegible]	[illegible]
Hammerson	[illegible]	[illegible]	[illegible]
Hanson†	[illegible]	[illegible]	[illegible]
Harrisons Crosfield	[illegible]	[illegible]	[illegible]
Hays	[illegible]	[illegible]	[illegible]
Hillsdown	[illegible]	[illegible]	[illegible]
IMI	[illegible]	[illegible]	[illegible]
ICI†	[illegible]	[illegible]	[illegible]
Inchcape	[illegible]	[illegible]	[illegible]
Johnson Matthey	[illegible]	[illegible]	[illegible]
Kingfisher†	[illegible]	[illegible]	[illegible]
Kwik Save	[illegible]	[illegible]	[illegible]
Ladbroke†	[illegible]	[illegible]	[illegible]
Land Securities†	[illegible]	[illegible]	[illegible]
Laporte	[illegible]	[illegible]	[illegible]
Legal & General†	[illegible]	[illegible]	[illegible]
Lloyds Abbey	[illegible]	[illegible]	[illegible]
Lloyds TSB†	[illegible]	[illegible]	[illegible]
LASMO†	[illegible]	[illegible]	[illegible]
London Elect	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]
Lucas	[illegible]	[illegible]	[illegible]
MEPC	[illegible]	[illegible]	[illegible]
MFI	[illegible]	[illegible]	[illegible]
Marks & Spencer†	[illegible]	[illegible]	[illegible]
Mercury Asset	[illegible]	[illegible]	[illegible]
Midlands Elect	[illegible]	[illegible]	[illegible]
Morrison (Wm.)	[illegible]	[illegible]	[illegible]
NFC	[illegible]	[illegible]	[illegible]
NatWest Bank†	[illegible]	[illegible]	[illegible]
National Grid†	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. As trades are rounded. Source: FT Extel.



مكتبة الأصيل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 28 / Sch)

BELGIUM/LUXEMBOURG (Feb 28 / Frs.)

CZECH REP (Feb 28 / Koruna)

DENMARK (Feb 28 / Kr)

FINLAND (Feb 28 / Mka)

FRANCE (Feb 28 / Frs.)

GREECE (Feb 28 / Drachma)

ITALY (Feb 28 / Lire)

GERMANY (Feb 28 / Dm.)

NORWAY (Feb 28 / Kroner)

POLAND (Feb 28 / Zloty)

PORTUGAL (Feb 28 / Escudo)

SPAIN (Feb 28 / Pts.)

NETHERLANDS (Feb 28 / Fls.)

SWEDEN (Feb 28 / Kronor)

SWITZERLAND (Feb 28 / Frs.)

TURKEY (Feb 28 / TK Lira)

PACIFIC

JAPAN (Feb 28 / Yen)

HONG KONG (Feb 28 / H.K.$)

INDONESIA (Feb 28 / Rupiah)

MALAYSIA (Feb 28 / MYR)

NEW ZEALAND (Feb 28 / NZ $)

SINGAPORE (Feb 28 / S$)

AUSTRALIA (Feb 28 / Aust$)

SOUTH KOREA (Feb 28 / Won)

TAIWAN (Feb 28 / TW $)

THAILAND (Feb 28 / Baht)

AFRICA

SOUTH AFRICA (Feb 28 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 28 / Can $) 4 pm close

MONTREAL (Feb 28 / Can $) 4 pm close

INDICES

	Feb 28	Feb 27	Feb 26	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	(u)	16489.60	16607.82	18191.58	31/1/96	8831.09	9/3/95
Australia							
All Ordinaries(1/1/80)	2265.7	2258.7	2268.1	2300.80	14/2/96	1823.30	8/2/95
All Mining(1/1/80)	1030.4	1027.0	1032.0	1058.50	2/2/96	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	380.41	379.72	379.00	395.42	2/1/95	328.50	27/10/95
Traded Index(2/1/91)	1077.82	1074.63	1073.05	1094.98	7/2/96	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1682.60	1689.05	1687.31	1715.74	1/2/96	1271.53	9/3/95
Brazil							
Bovespa(29/12/83)	(u)	51930.0	52452.0	64109.00	2/2/95	21382.00	9/3/95
Canada							
Metals Minls♦(1975)	(u)	5169.01	5160.24	5370.39	8/2/96	3806.63	1/3/95
Composite♦(1975)	(u)	4954.27	4957.10	5059.89	14/2/96	3981.41	30/1/95
PortfolioSS(4/1/83)	(u)	2417.75	2416.98	2488.57	8/2/95	1953.36	30/1/95
Chile							
IGPA Gen♥(31/12/80)	(u)	5606.31	5576.36	6363.10	11/7/95	4576.90	9/3/95
Denmark							
CopenhagenSE(3/1/83)	387.09	385.79	385.92	391.35	13/2/96	330.01	29/3/95
Finland							
HEX General(28/12/90)	1825.43	1837.67	1828.16	2332.22	14/9/95	1555.30	29/3/95
France							
SBF 250(31/12/90)	1354.91	1340.31	1331.32	1354.91	28/2/96	1154.41	13/3/95
CAC 40(31/12/87)	1996.89	1974.52	1980.93	2024.09	1/2/95	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	876.80	869.70	868.39	882.59	1/2/96	708.87	30/3/95
Commerzbank(1/12/53)	2541.2	2519.7	2519.1	2559.90	31/1/96	2018.70	30/3/95
DAX‡(30/12/87)	2472.50	2444.92	2442.34	2472.50	28/2/96	1910.86	28/3/95
Greece							
Athens SE(31/12/80)	999.52	980.27	(c)	999.52	28/2/96	787.15	15/3/95
Hong Kong							
Hang Seng(31/7/64)	11264.65	11197.02	11210.42	11594.99	16/2/96	8967.93	23/1/95
India							
BSE Sens.(1979)	3494.09	3519.29	3538.10	3932.09	2/1/95	2826.08	25/1/96
Indonesia							
Jakarta Comp.(10/8/82)	595.26	597.36	594.20	597.36	27/2/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2323.28	2313.85	2319.67	2338.20	16/2/96	1813.59	23/1/95
Italy							
Banca Comm Ital(1972)	603.23	593.53	593.06	680.54	10/2/95	547.79	5/12/95
MIB General(2/1/86)	1023.0	1007.0	1006.0	1062.00	9/2/96	962.00	15/1/96
Japan							
Nikkei 225(16/5/49)	19919.97	20000.40	20480.27	21118.30	8/2/96	14485.40	3/7/95
Nikkei 300(1/10/82)	288.38	289.80	293.70	307.98	5/1/96	222.28	13/6/95
2nd Section(4/1/68)	2032.86	2039.19	2052.57	2130.68	4/1/95	1441.90	13/6/95
Topix(4/1/68)	1547.22	1553.37	1572.12	1632.03	5/1/96	1193.16	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1076.95	1077.32	1090.06	1090.06	26/2/96	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	2938.98	2955.39	3101.92	2/2/96	1447.52	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	564.4	557.7	558.4	567.50	14/2/96	422.90	23/3/95
CBS All Shr(End 83)	341.7	337.7	338.0	343.60	14/2/96	285.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2150.02	2132.45	2127.09	2208.02	20/10/95	1901.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1298.93	1305.85	1310.58	1319.17	23/2/96	1036.00	10/3/95
Philippines							
Manila Comp(2/1/85)	2882.45	2893.92	2933.66	2958.12	10/7/95	2196.48	20/11/95
Portugal							
BTA(1977)	2603.9	2614.5	2610.4	2911.80	9/1/95	2412.90	22/11/95
Singapore							
SES All-S'pore(2/4/75)	598.74	601.10	604.49	610.37	5/2/96	472.90	23/1/95
South Africa							
JSE Gold(28/9/78)	1729.5♥	1752.5	1768.9	2023.09	2/1/95	1250.20	30/10/95
JSE Ind.(28/9/78)	8342.0♥	8326.7	8394.9	8739.30	25/1/96	6222.00	31/1/95
South Korea							
KoreaCmpEx**(4/1/80)	855.21	859.87	859.05	1027.37	2/1/95	842.72	20/1/96
Spain							
Madrid SE(30/12/85)	345.13	340.68	339.75	345.13	28/2/96	284.06	23/3/95
Sweden							
AffarsvarldsGen(1/2/37)	1896.7	1876.0	1853.9	1896.70	28/2/96	1439.80	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	(u)	1579.49	1572.09	1579.49	27/2/96	1174.63	13/3/95
SBC General(1/4/87)	(u)	1147.56	1144.26	1165.59	4/1/96	870.58	13/3/95
Taiwan							
WeightedPr.**(30/6/66)	4751.19	4769.64	4775.85	7051.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1321.87	1333.86	1330.57	1472.04	10/7/95	1135.89	16/3/95
Turkey							
Istanbul Cmp.Jan 1986	61349.9	61673.5	59232.0	61673.50	27/2/96	24644.30	23/1/95
WORLD							
MS Capital IntS(1/1/70)	755.5*	753.0	758.9	761.10	23/2/95	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1574.95	1566.41	1551.65	1574.95	28/2/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1404.82	1391.88	1390.52	1410.39	2/2/96	1117.34	9/3/95
JCapelDrgns(31/12/88)	(u)	373.10	374.58	382.52	19/2/96	282.87	23/1/95
ING Brngs Emrg(7/1/92)	156.06	158.84	157.68	182.72	5/2/95	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Feb	1988.5	2000.0	+24.0	2003.0	1987.0	28,179	18,725
Mar	1997.5	2007.5	+24.0	2011.0	1994.5	15,952	38,327
■ DAX							
Mar	2470.0	2493.0	+38.0	2493.0	2467.0	28,332	-
Jun	2483.5	2505.0	+38.0	2505.0	2479.5	2,884	-
■ OMX							
Mar	1505.00	1509.00	+13.00	1515.00	1485.00	10,417	21,772
■ SOFFEX							
Jan	3338.0	3371.0	+55.0	3373.0	3330.0	6,089	17,207
Feb	3338.0	3364.0	+32.0	3350.0	3336.9	45	2,211

** Sat Feb 24: Taiwan Weighted Price 4837.63; Korea Comp Ex 868.61. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 28 - 2488.95 +37.86.

US INDICES

Dow Jones	Feb 27	Feb 26	Feb 23	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5549.21	5565.10	5630.49	5630.49 (23/2/96)	3832.08 (30/1/95)	5630.49 (23/2/96)	41.22 (2/7/32)
Home Bonds	105.15	105.01	105.08	108.09 (14/2/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2064.92	2079.24	2104.03	2111.37 (22/2/96)	1473.19 (3/1/95)	2111.37 (22/2/96)	12.32 (8/7/32)
Utilities	223.17	223.94	225.89	234.80 (12/2/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5597.28 (5647.83) Low 5478.76 (5530.42) (Theoretical♠)
Day's high 5565.10 (5629.06) Low 5509.11 (5559.68) (Actual♠)

Standard and Poors	Feb 27	Feb 26	Feb 23	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	647.24	650.46	659.08	661.45 (13/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials♥	762.02	766.02	776.12	776.23 (22/2/96)	546.28 (3/1/95)	776.23 (22/2/96)	3.62 (21/6/82)
Financial	66.55	66.89	67.69	67.89 (23/2/96)	41.54 (3/1/95)	67.89 (23/2/96)	8.64 (1/10/74)
NYSE Comp.	345.59	348.95	350.94	361.70 (12/2/96)	250.73 (3/1/95)	361.70 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	563.88	565.35	569.27	570.16 (22/2/96)	433.12 (6/1/95)	570.16 (22/2/96)	29.31 (9/12/72)
NASDAQ Cmp	1106.17	1113.05	1117.79	1117.79 (23/2/96)	743.58 (3/1/95)	1117.79 (23/2/96)	54.87 (31/10/72)

■ RATIOS

	Feb 23	Feb 16	Feb 9	Year ago
Dow Jones Ind Div. Yield	2.12	2.16	2.13	2.69
	Feb 21	Feb 14	Feb 7	Year ago
S & P Ind. Div. yield	1.88	1.87	1.88	2.36
S & P Ind. P/E ratio	19.90	20.07	19.86	19.57

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Hanson	22,342,400	14½	-⅛
Micron	9,650,100	33⅝	-3¼
EMC	5,971,300	21¼	+1⅞
BP	5,609,200	97½	-½
US W. Med	5,456,600	21¼	-⅛
AT & T	4,983,100	64	-1⅛
IBM	4,610,000	128⅝	+3⅝
Ford Motor	4,506,500	31½	+⅛
Wal-Mart	4,071,800	21⅞	-
Tel de Mex	3,272,400	31⅝	..

■ TRADING ACTIVITY

● Volume (million)

	Feb 27	Feb 26	Feb 23
New York SE	434.78	395.179	439.133
Amex	23.92	21.147	21.736
NASDAQ	527.445	496.084	594.393
NYSE			
Issues Traded	3,111	3,099	3,117
Rises	995	790	1,104
Falls	1,337	1,610	1,253
Unchanged	779	699	760
New Highs	88	124	206
New Lows	33	26	18

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	647.40	654.00	+6.40	654.00	651.10	90,441	180,669
Jun	657.20	659.00	+5.20	660.00	657.20	6,601	36,911

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Mar	20120.0	19910.0	-100.0	20210.0	19890.0	24,836	121,648
Jun	20180.0	19990.0	-60	20240.0	19930.0	30,833	121,065

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, February 28, 1996

	Stocks Traded	Closing Prices	Change on day
Shinko Elect	8.4m	718	+32
NKK Corp	7.1m	284	-5
Nisseki Hse Ind	6.3m	541	-23
Green Cross Cp	6.2m	550	-77
Pacific Metals	5.8m	690	-5
Mitsubishi Hvy	5.5m	847	-2
Toshiba Corp	5.0m	814	-3
Sumitomo Mtl Ind	4.5m	301	
Nippon Stl Corp	4.4m	339	+2
Isuzu Motors	4.3m	555	+9

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1995. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close February 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22 1/8	12 1/8	AAR	0.48	2.4	24	1032	20	19 5/8	20	+3/8
46 1/4	35	AMP	1.00	2.3	22	3555	43 3/4	42 7/8	43 1/2	+1/4
89 5/8	53 3/8	AMR			34	5555	88 1/4	85 3/4	85 7/8	-1 1/8
50 1/2	38 3/8	ASA x	2.00	4.3	31	941	47 3/8	46	47	+1/4
44 3/4	30 3/4	AbbtL	0.96	2.3	19	17860	41 7/8	40 3/4	41 1/4	+3/4
16 7/8	12	Abitibi Pr x	0.40	2.8	7	1515	14 3/4	14	14 1/4	-3/8
29 5/8	21	ABM Ind	0.70	2.4	15	62	29 1/8	29 1/8	29 3/8	-1/8
17 1/2	13 1/8	Acptnce In			10	39	14 7/8	14 7/8	14 7/8	+1/4
50 3/8	21 7/8	ACE Ltd	0.56	1.2	11	195	47 1/2	46 7/8	47 1/4	
9 7/8	8 1/8	ACM Gvt In	0.90	9.2	8	449	9 7/8	9 5/8	9 3/4	
7 3/8	6 1/2	ACM GvOpp	0.66	8.7		14	7 3/4	7 5/8	7 5/8	-1/8
7 1/2	5 3/4	ACM Gvt Sp	0.75	10.5		256	7 1/8	6 7/8	7 1/8	+1/4
9 1/8	7 1/4	ACM Gvt Se	0.90	10.0		270	9	8 7/8	9	
9 1/2	7 5/8	ACM Man	0.90	9.9		191	9 1/4	9 1/8	9 1/8	-1/8
29 1/4	10 1/4	AcmeClv	0.52	2.7	4	108	19 1/4	18 7/8	19	-1/4
38 3/4	6 5/8	Acme Elect			56	194	7	6 5/8	6 3/4	-1/8
34 1/2	23 3/4	Acordia	0.72	2.6	15	20	28 1/4	28 1/8	28 1/8	-1/4
16 3/4	10 1/8	Acuson			45	332	14 7/8	14 5/8	14 5/8	-1/8
19 5/8	15 5/8	Adams Expr x	0.36	1.9	0	170	19 1/4	19 1/8	19 1/4	+1/8
38 7/8	16 1/8	AdvMic			6	7008	20 1/8	19 1/8	19 1/4	-1/2
10 1/4	5	Advest Grp	0.16	1.7	9	808	9 5/8	9 3/8	9 1/2	+1/8
27 1/2	16 1/2	Advo Inc	0.10	0.5	23	456	21 7/8	21 1/2	21 7/8	+1/4
46 3/4	24.80	Aegon	1.28	3.0	16	51	43 5/8	43 1/8	43 1/4	-3/8
5 7/8	3 1/8	Aerflx			9	780	5 1/8	5	5	
78 3/4	46 3/4	AetnaL	2.76	3.9	34	4926	72 1/8	71 1/2	71 1/2	
49 1/2	31 7/8	Aflac x	0.52	1.1	14	2835	49 1/8	48 1/4	48 1/4	-7/8
28 3/8	16	Ahmson	0.88	3.9	7	8487	23 1/8	22 5/8	22 5/8	-3/8

Continued on next page

4 pm close February 28

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close February 28

AMEX COMPOSITE PRICES

4 pm close February 28

AMERICA

Equities in rebound on recovery in long bonds

Wall Street

US shares rebounded from recent weakness in midsession trading as longer term bonds also recovered, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was 37.57 stronger at 5,586.78, the Standard & Poor's 500 had risen 6.43 to 653.67 and the American Stock Exchange composite was 3.41 higher at 567.27. Volume on the New York SE came to 250m shares.

Long-term bonds gained strength even though the Labor Department reported that the consumer price index had risen 0.4 per cent in January, slightly more than the 0.3 per cent increase economists had expected. That data lent support to a growing consensus that the Federal Reserve would probably not lower interest rates again at next month's meeting of its Open Market Committee.

Cyclical shares, which generally benefit the most from looser monetary policy, were not as strong as shares in consumer goods companies.

The Morgan Stanley index of cyclical shares was ahead 0.6 per cent, while the counterpart index of consumer shares was 1.1 per cent stronger.

Technology issues showed particular strength, with the Nasdaq composite gaining 7.85 at 1,114.12. The Pacific Stock Exchange technology index was nearly 1 per cent higher as strength in large issues offset some weakness in Internet-related companies. In early afternoon trading, the American Stock Exchange/Interactive Week index of Internet shares was off 0.2 per cent.

Microsoft and Intel, the two largest companies on the Nasdaq, added $1⅝ at $101¾ and $1 at $61¼ respectively. Meanwhile, Netscape Communications and Spyglass, two Internet software makers, were both weaker. Netscape fell $2¾ or 5 per cent to $51¼ and Spyglass was off $1¼ or 5 per cent at $23¾.

UUNET Technologies, which provides Internet services, slipped $3 or 9 per cent to $39 after an analyst at Bear Stearns lowered the rating on the company to "neutral" from "attractive".

The Gap added $2 or 4 per cent at $54¾ after announcing that it would increase its dividend by 25 per cent and undertake a two-for-one stock split.

Du Pont, which is a component of the Dow, appreciated $1¾ or 2 per cent to $80⅞ on news that the US Department of Agriculture had approved a cotton plant which is genetically engineered to tolerate the use of certain herbicides.

Canada

Toronto edged ahead in midday trade, helped by higher bond prices and a firm performance by the banking sector in response to strong earnings reports. The TSE 300 composite index had gained 4.75 by noon at 4,959.02 in volume of 35.8m shares.

Among Tuesday's corporate reports, Bank of Montreal moved ahead C$⅝ to C$32 and Bank of Nova Scotia was C$¼ higher at C$30⅜. Pallet Pallet picked up 10 cents to 73 cents on news that it would issue more than 2.8m common shares at C$1.434 a share to special warrant investors.

SOUTH AFRICA

Johannesburg was broadly weaker, with golds under pressure from the bullion price. Industrials were mixed but with the index pulled higher by gains in key stocks. The overall index declined 19.8 to 6,703.0, industrials moved up 15.3 to 8,342.0 and golds surrendered 23.0 to 1,729.5.

Telmex supports Mexico City

The early rally on Wall Street helped the region's markets, with **MEXICO CITY** rising 12.65 or 0.5 per cent to 2,926.31 by midsession. In early trade there were 31 stocks higher against four lower in volume of 16.8m shares.

Analysts said the domestic market had been assisted by a rising trend for the country's ADRs, particularly in companies such as Telmex and Televisa.

Telmex ADRs moved between $31⅝ and $32, while the local issue was up 0.2 per cent. Televisa's local shares were ahead 1.2 per cent.

SAO PAULO was moderately higher at midsession, although worries were coming to light regarding Banco Nacional which failed last year. The Bovespa index gained 294.97 at 52,225.

On Tuesday, a panel of congress said that it would summon central bank officials to testify on apparent lapses in the supervision of banks following reports that the central bank had failed to detect a R$4.6bn loss accumulated by Banco Nacional over a 10-year period. Banco Nacional, once Brazil's seventh largest private bank, is under central bank administration.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Feb 23 1996	% Change over week	% Change on Dec '95	Local currency terms Feb 23 1996	% Change over week	% Change on Dec '95
Latin America	(248)	510.75	+0.9	+8.3			
Argentina	(31)	837.92	+1.3	+4.6	514,103.16	+1.4	+4.6
Brazil	(68)	360.63	+1.4	+18.1	1,324.76	+1.5	+19.3
Chile	(43)	711.52	+1.3	-4.9	1,174.93	+1.5	-3.7
Colombia[1]	(15)	608.11	+0.8	+1.7	1,117.70	+1.6	+6.5
Mexico	(65)	493.41	+0.6	+8.9	1,598.89	+0.2	+6.2
Peru[2]	(21)	213.53	-3.1	+8.3	308.52	-2.5	+11.1
Venezuela[3]	(5)	381.36	-4.0	+14.1	3,936.63	-4.5	+50.9
Asia	(631)	261.79	-0.3	+8.4			
China[4]	(23)	62.11	-0.2	+14.6	65.18	-0.2	+14.7
South Korea[5]	(145)	124.64	-0.2	-1.0	127.86	-0.2	-0.4
Philippines	(35)	289.36	+0.9	+11.5	365.99	+1.1	+11.3
Taiwan, China[6]	(83)	106.48	+1.5	-5.6	109.89	+1.5	-4.9
India[7]	(76)	89.65	+0.4	+11.6	115.42	-0.3	+15.0
Indonesia[8]	(44)	125.09	-0.5	+14.0	157.15	+0.0	+15.3
Malaysia	(123)	296.69	-0.0	-4.4	279.83	+0.0	+10.0
Pakistan[9]	(25)	319.13	+0.2	+31.5	497.05	+0.2	+31.8
Sri Lanka[10]	(5)	116.45	+1.9	+11.9	135.53	+1.9	+12.1
Thailand	(72)	392.04	-3.5	+4.3	392.36	-3.6	+4.4
Euro/Mid East	(226)	151.23	-1.8	+7.3			
Greece	(47)	257.18	+0.4	+6.5	418.18	-0.4	+8.1
Hungary[11]	(8)	140.41	+7.8	+42.7	238.20	+7.6	+47.2
Jordan	(8)	183.28	+0.0	-0.8	273.52	+0.0	-0.8
Poland[12]	(22)	554.28	-2.8	+30.0	888.90	-2.4	+34.3
Portugal	(26)	128.43	+1.3	+10.9	133.15	+0.5	+12.0
South Africa[13]	(63)	263.91	-2.7	+2.3	210.07	-0.9	+8.1
Turkey[14]	(54)	141.57	-0.7	+35.5	4,381.95	+0.0	+46.6
Zimbabwe[15]	(5)	354.01	+3.9	+28.9	492.78	+4.0	+30.7
Composite	(1117)	297.81	-0.3	+6.0			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)Jul 2 1993.

The strong performance in the world's emerging markets since the beginning of the year has been driven by liquidity, but rising bond yields in the US recently have caused a slight break in the forward momentum, writes John Pitt. Bear Stearns observes that funds flowed into the Latin American region in particular during January, before a partial reversal of the flow happened earlier this month. It is still very much an uncertain picture, and Bear Stearns warns that a sustained fall in US equities – if caused by worries about recession – "would prompt US investors to bring money back from overseas and into safe havens at home, such as Treasury bonds; emerging market equities would suffer badly under this scenario".

There is also a worry about the US presidential election after Mr Pat Buchanan won last week's New Hampshire primary. Latinvest says that there is some consolation in the fact that Mr Buchanan is unlikely to be nominated; but "spouting hostility both to free trade and to Wall Street's narrow pursuit of profit, he constitutes a possibly significant threat to portfolio investment in developing countries in general, and (because of its proximity) to Latin America in particular".

Meanwhile, Salomon Brothers has increased its already overweight allocation to Argentina, up to 19 per cent from 14 per cent, based on "expected economic growth, a reduced risk premium and positive political events". As a consequence, its exposure to Chile has been reduced from an overweight 12 per cent to a market weight of 10 per cent.

EUROPE

More all-time highs on $, recovery hopes

Strong demand for cyclical stocks helped Frankfurt and Stockholm to all-time highs.

Morgan Stanley, overweight in Germany since the beginning of this year, confirmed that it had raised the weighting of German stocks in its model European portfolio from 16 to 19 per cent this week, and doubled its Swedish weighting from 3 to 6 per cent.

Mr Richard Davidson, European equity strategist at Morgan Stanley in London, said the upgrades reflected his view that cyclical shares would outperform this year as the markets saw an improvement in the dollar, economic recovery in Europe and reflationary moves by central banks.

FRANKFURT's Dax index closed 37.86 higher at an Ibis-indicated 2,486.95 on the dollar, firmer bunds and the Dow. Cyclicals such as Siemens, Daimler, BASF and Bayer led the volume charts as turnover sailed up from DM7.7bn to DM9.9bn; but defensives had the best day in share price terms, with RWE, Kaufhof and Veba showing gains of 2.9, 2.8 and 2.7 per cent respectively.

The day's black spot was Gildemeister, down DM41 or 28.7 per cent at DM102. Ms Barbara Haas of Dillon Read said that the machine tool group, which forecast a turnround from loss to 1995 profits when it made a rights issue towards the end of last year, said late on Tuesday that it would make a 1995 loss, after all.

STOCKHOLM, where the Affärsvärlden index put on 8.7 at 1,886.7, saw a sharp rise in Asea, SKr13 higher at SKr693, on better than expected 1995 results for ABB and the forecast of a further profits increase this year.

Volvo and Investor benefited from the renewed interest in cyclicals. Volvo added SKr4.50 at SKr147, and Investor SKr4.50 at SKr256.50.

Ericsson turned back from a high of SKr154 to close SKr1.50 weaker at SKr148.50 as investors digested the results from its competitor Nokia. A SKr13 fall to SKr273.50 in Pharmacia & Upjohn was attributed to news that Biogen, the US drugs group, and Harvard University intended to sue the company for breach of patent and were demanding damages of SKr950m.

HELSINKI moved from elation to apprehension. Nokia A peaking 6.8 per cent higher at FM179 on results slightly below recent expectations, but ending 6.9 per cent lower at FM156 on a warning of lower profits in the first and second quarters of 1996. The Hex index declined 12.24 to 1,825.43.

PARIS liked the Chargeurs demerger and marked the stock up FFr137 or 12.6 per cent to FFr1,338. There was a hope that the announcement, the first in French corporate history, might unlock similar demerger plans from other quoted companies.

The CAC-40 index was lifted by strong US institutional interest and closed a shade under the critical 2,000 level, up 22.37 or 1.1 per cent at 1,996.89. Turnover was strong at FFr6bn.

There was a small cloud over Valeo, the automotive parts maker, as doubts began to emerge that a bid from Ceurs, of Italy, would be forthcoming. Valeo's stock softened FFr1 to FFr278.

Total receded FFr2 to FFr331.90 as the government said it would sell a 4 per cent stake in the oil group.

AMSTERDAM produced some satisfactory domestic company reports as it climbed to a record closing high, the AEX index finishing 5.20 ahead at 512.80, after touching 513.99.

Even Philips could not resist the rising trend in spite of an early decline following the Nokia figures, and closed with a gain of 20 cents at Fl 69.

ABN Amro rose Fl 1.10 to Fl 74.40 ahead of today's 1995 earnings figures.

ZURICH too, had the ABB results. Brown Boveri rose SFr32 to SFr1,475 as the SMI index advanced 50.6 or 1.5 per cent to 3,360.5.

Nestlé climbed SFr15 to SFr1,310 and Ciba SFr24 to SFr1,074. UBS bearers rose SFr8 to SFr1,249 as an associate said that Mr Stephan Schmidheiny saw his large purchase of registered shares as a long term investment and would accept their conversion into bearer shares.

MILAN rose on Wall Street's early advance, a reviving lira and the decision of the caretaker prime minister Mr Lamberto Dini to link with the centre left, which was seen as improving his chances of securing a majority in next April's election.

The Comit index added 9.70 at 603.23, while the real-time Mibtel index picked up 189 or 2 per cent to 9,691. Banks put in a strong showing. Ambroveneto jumped L220 or 5.2 per cent to L4,421 on a sharp increase in the parent company's 1995 net profits, and Credito Italiano rose L52 to L1,824.

Fiat moved ahead L54 to L4,968 as Mr Gianni Agnelli bowed out after 30 years as chairman. Snia, Fiat's fibres and chemicals holding company, picked up from a low of L1,396 to finish L12 higher at L1,443 after the motor group denied one rumour that it planned to buy all the shares it did not already own.

MADRID's general index firmed 4.45 to 345.13 on hopes of a clear win for the centre-right Popular party in Sunday's general election, and interest rate cuts soon after.

Iberdrola, which announced a 24 per cent increase in net profits after hours, climbed Pta25 to Pta1,205.

OSLO saw Kvaerner B NKr10 lower at NKr183 after the latest bout of UK takeover talk. The total index fell 2.66 to 768.30.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Feb 28 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1570.45	1569.98	1570.30	1570.84	1571.12	1571.40	1573.79	1574.95
FT-SE Eurotrack 200	1654.12	1653.55	1654.42	1655.13	1653.73	1657.24	1657.30	1658.93

	Feb 27	Feb 26	Feb 23	Feb 22	Feb 21
FT-SE Eurotrack 100	1556.41	1551.65	1557.27	1538.56	1521.59
FT-SE Eurotrack 200	1643.14	1646.19	1656.13	1645.12	1630.05

Base value 1000 (26/10/90); High/day: 100 - 1575.05; 200 - 1659.44 Low/day: 100 - 1569.45 200 - 1652.23 † Partial

ASIA PACIFIC

Weak banks leave Nikkei below 20,000 level

Tokyo

A sharp fall in banks depressed equities, and the Nikkei 225 average finished below 20,000 for the first time since December 29, *writes Emiko Terazono in Tokyo.*

The index lost 80.43 at 19,919.97 after moving between 19,878.91 and 20,211.38. Share prices were lifted earlier in the day by new stock investment trust funds set up by Nomura Securities.

Traders said Nikko Securities also placed buy orders for its newly established trust fund. However, late afternoon selling, led by profit-taking in banks and large-capital blue chips, tipped equities into decline.

Volume amounted to 320m shares, against 363m. The Topix index of all first section stocks fell 6.15 to 1,547.22 and the Nikkei 300 retreated 1.44 to 288.36. Declines outscored advances by 530 to 472.

In London the ISE/Nikkei 50 index gained 3.06 at 1,347.47.

Uncertainty over the government's bailout plans for the jusen, or housing loans scheme, weighed on the banking sector. The collapse of Equion, a large non-bank financial institution with debts of Y310.6bn, also unnerved investors. Non-bank financial institutions lent heavily to the companies which, in addition, borrowed from the jusen. The liquidity problems of these borrowers, due to the jusen debacle, had started to affect the non-banks.

The non-banks had also borrowed heavily from banks and analysts feared that Equion's collapse could signal the beginning of a new spate of bankruptcies. "Investors who have been worried about the jusen have started to worry about other bankruptcies which will hurt the banks," said Mr Brian Waterhouse at James Capel.

Industrial Bank of Japan slid Y80 to Y2,640 and Dai-Ichi Kangyo Bank, a creditor of Equion, shed Y50 to Y1,890.

Green Cross, the blood products maker embroiled in the HIV scandal, plunged Y77 to Y550. The company admitted that it had falsified distribution reports submitted to the ministry, and could face severe administrative punishment.

Speculative stocks were once again back in favour with individual investors. Shinko Electric, the most active issue of the day, climbed Y32 to Y718 and Daido Steel Sheet jumped Y170 to Y2,450.

In Osaka, the OSE average slipped 63.84 to 21,569.94 in volume of 137.7m shares.

Roundup

Rumours that the securities watchdog has begun investigating suspected cases of price manipulation soured the mood in **SEOUL**. However, officials at the Securities Supervisory Board declined to comment, and the composite index ended 4.66 lower at 855.21.

Blue chips closed mixed. Samsung Electronics gained Won1,000 at Won130,000, while Korea Electric Power lost Won300 at Won28,500.

HONG KONG finished moderately firmer in trade narrowed by February index futures expiry. The Hang Seng index was up 67.63 at 11,264.65, after an early 11,288.09, in turnover that dipped to HK$4.8bn.

Analysts noted that trade remained subdued although buying interest had improved after encouraging results from HSBC and Hang Seng Bank, which added HK$1 at HK$125.50 and HK$2.50 at HK$77.25 respectively.

KARACHI seemed more interested in World Cup cricket than in equities. Small investors sold, there was no institutional buying or genuine investment support, and the KSE 100 index dropped 31.25 or 1.8 per cent to 1,718.98.

SINGAPORE remained focused on second line stocks in light afternoon trading as Mr Richard Hu, the finance minister, began delivering his annual budget statement. The Straits Times Industrial index eased 6.98 to 2,438.59.

CAM Mechatronic was again actively traded after Uraco bought into the company. The shares gave up 2 cents of recent gains to end at 90 cents.

KUALA LUMPUR was mixed with second liners attracting buyers and blue chips out of favour. The composite index lost 0.37 at 1,076.95 but the second board index jumped 14.33 or 3.8 per cent to 391.67.

TAIPEI could make no progress in spite of buying by the government-promoted fund, as fears over a planned Chinese military exercise, ahead of the island's presidential elections on March 23, remained an inhibition. The weighted index dipped 18.45 to 4,751.19 in slow trade of T$12.53bn.

BANGKOK's SET index softened 11.99 to 1,321.87 in slim turnover of Bt4.3bn as many investors stayed away, unwilling to commit themselves before a four-day holiday.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY FEBRUARY 27 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 26 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	196.62	-0.1	189.42	129.88	148.50	172.29	-0.4	3.90	196.74	189.42	129.68	148.02	172.92	200.32	158.79	162.70
Austria (26)	189.34	-0.4	182.41	125.07	143.01	142.85	0.0	1.60	190.06	182.99	125.27	142.89	142.85	199.28	168.11	182.93
Belgium (34)	211.82	-0.1	204.06	139.92	159.98	156.06	0.3	3.36	211.98	204.09	139.72	159.48	155.59	215.81	172.86	174.02
Brazil (28)	161.39	-1.8	155.48	106.61	121.90	292.23	-1.7	1.56	164.33	158.21	108.31	123.63	297.37	170.25	86.06	128.91
Canada (101)	154.49	0.1	148.84	102.06	116.69	153.71	-0.1	2.44	154.34	148.60	101.73	116.11	153.87	158.71	125.64	126.99
Denmark (33)	304.53	-0.2	293.38	201.17	230.01	232.65	0.2	1.82	305.17	293.82	201.14	229.59	232.21	305.17	252.41	260.68
Finland (24)	186.54	0.4	179.71	123.23	140.89	176.42	0.6	1.84	185.75	178.84	122.43	139.75	175.40	276.11	171.13	183.99
France (98)	189.25	0.4	182.32	125.02	142.94	148.15	0.8	3.13	188.49	181.47	124.23	141.80	147.04	191.17	161.53	164.01
Germany (60)	172.67	-0.4	166.34	114.08	130.41	130.41	0.0	1.87	173.33	166.88	114.24	130.40	130.40	173.35	142.25	150.43
Hong Kong (58)	436.50	-0.1	420.52	288.35	329.66	433.28	-0.1	3.27	437.07	420.80	288.07	328.82	433.87	451.19	323.87	331.19
Ireland (16)	259.36	-0.1	249.86	171.33	195.89	230.45	0.1	3.43	259.66	250.00	171.14	195.35	230.21	262.70	205.44	215.73
Italy (59)	74.83	1.4	72.09	49.43	56.52	86.57	0.8	1.74	73.83	71.08	48.66	55.54	85.88	82.71	65.45	71.24
Japan (482)	149.68	-1.5	144.18	98.86	113.04	98.86	-1.3	0.77	151.91	146.25	100.12	114.28	100.12	164.82	136.95	136.85
Malaysia (107)	519.71	-1.1	500.68	343.31	392.53	509.86	-1.0	1.65	525.57	506.01	346.40	395.40	514.98	561.96	425.77	471.99
Mexico (18)	1132.43	-0.0	1090.96	748.07	855.31	9335.56	-0.2	1.49	1132.48	1090.34	746.42	852.00	9354.59	1237.14	647.81	752.84
Netherland (19)	279.20	-0.6	268.98	184.44	210.88	207.32	-0.1	3.31	280.55	270.11	184.91	211.06	207.52	283.23	225.09	227.11
New Zealand (13)	81.35	-0.1	78.37	53.74	61.44	64.12	0.4	4.55	81.41	78.38	53.66	61.25	63.88	85.49	72.39	73.31
Norway (33)	239.98	-0.7	231.19	158.53	181.25	206.54	-0.4	2.24	241.58	232.59	159.22	181.75	207.37	243.79	202.76	209.36
Singapore (44)	449.63	-1.2	433.17	297.02	339.60	291.81	-1.0	1.38	454.96	438.03	299.86	342.28	294.78	465.21	346.10	347.43
South Africa (45)	397.02	-1.4	382.48	262.27	299.87	331.88	-1.4	3.11	402.69	387.70	265.41	302.95	336.53	437.76	303.31	303.31
Spain (37)	174.88	-0.1	168.29	115.39	131.94	161.94	0.2	3.71	174.87	168.36	115.26	131.56	161.56	175.20	124.10	131.39
Sweden (47)	341.41	1.6	328.90	225.53	257.86	337.81	0.9	2.18	335.98	323.48	221.45	252.77	334.91	341.41	232.23	240.98
Switzerland (38)	231.15	-0.1	222.69	152.70	174.59	169.53	0.4	1.58	231.42	222.80	152.53	174.10	168.86	239.55	171.94	172.71
Thailand (48)	181.39	-0.7	174.75	119.82	137.00	177.27	-0.6	1.98	182.57	175.77	120.33	137.36	178.28	193.95	130.15	145.45
United Kingdom (205)	231.04	0.2	222.58	152.62	174.50	222.58	0.3	4.08	230.49	221.91	151.92	173.40	221.91	235.50	192.74	193.98
USA (631)	264.43	-0.5	254.75	174.68	199.72	264.43	-0.5	2.19	265.70	255.82	175.13	199.90	265.70	269.11	197.20	198.13
Americas (778)	241.20	-0.5	232.37	159.33	182.18	202.78	-0.5	2.18	242.33	233.32	159.72	182.31	203.75	245.54	180.00	181.31
Europe (730)	205.54	0.1	198.01	135.78	155.24	176.01	0.3	3.02	205.22	197.58	135.26	154.39	175.42	208.25	169.63	171.18
Nordic (137)	294.51	0.9	283.73	194.55	222.44	252.62	0.6	2.05	291.90	281.03	192.39	219.60	251.18	295.02	222.22	230.86
Pacific Basin (832)	163.06	-1.3	157.09	107.71	123.16	110.96	-1.1	1.20	165.16	159.02	108.86	124.26	112.20	171.87	145.95	145.95
Euro-Pacific (1562)	180.66	-0.6	174.04	119.34	136.45	135.60	-0.4	2.06	181.75	174.99	119.79	136.73	136.18	183.38	156.37	156.37
North America (732)	257.65	-0.5	248.21	170.20	194.60	257.03	-0.5	2.20	258.84	249.20	170.60	194.73	258.23	262.26	192.77	193.72
Europe Ex. UK (525)	186.79	0.1	179.95	123.39	141.08	149.69	0.3	2.44	186.59	179.65	122.98	140.38	149.16	187.07	152.92	154.87
Pacific Ex. Japan (350)	286.49	-0.4	275.99	189.25	216.38	250.90	-0.5	2.93	287.71	277.00	189.63	216.45	252.03	292.99	229.25	232.89
World Ex. US (1754)	182.11	-0.6	175.44	120.30	137.55	139.67	-0.4	2.09	183.22	176.40	120.76	137.84	140.49	184.71	156.72	156.72
World Ex. UK (2180)	205.21	-0.6	197.69	135.56	154.99	171.04	-0.5	1.94	206.50	198.82	136.11	155.36	171.96	207.64	166.82	166.82
World Ex. Japan (1903)	239.37	-0.3	230.60	158.12	180.79	224.81	-0.2	2.53	240.03	231.10	158.20	180.58	225.31	242.17	187.55	187.85
The World Index (2385)	207.62	-0.6	199.92	137.08	156.74	175.72	-0.5	2.13	208.67	200.90	137.53	156.98	176.53	209.73	169.20	169.20

Latest prices were unavailable for this edition.